

## FROM THE PRESIDENT



Dear Policyholder:

Volatility characterized the markets' performance during the first half of the year reflecting inflation and interest rate uncertainties and concerns over the extreme valuations of technology stocks. While first quarter returns were generally positive, returns for the second quarter were negative across many sectors of the market. Growth stocks, such as those in the technology and telecommunication sectors, receded during the second quarter while value

stocks (those with an earnings history and strong fundamentals) came back into favor. On balance, the average stock fund returned 3% for the first half of the year.

For the six months ended June 30th, large capitalization stocks in the U.S., as measured by the S&P 500 Index, fell 0.42%. Medium capitalization growth stocks, (Russell Mid-Cap Growth Index) were standout performers with a total return of 12.15%. The small cap Russell 2000 Index also ended in positive territory with a 3.04% gain. Overseas markets had a tougher time of it, with the MSCI EAFE index (large cap stocks in Europe, Australasia and the Far East) falling 4.63% for the period.

Within the Jefferson Pilot Variable Fund, two Portfolios delivered noteworthy performance in the first six months while another, the Balanced Portfolio, completed a solid twelve months under new its sub-advisor, Janus Capital Corp.

The World Growth Stock Portfolio, managed by Templeton Global Advisors Limited, increased 4.20%, significantly better than the -3.04% return of its benchmark, the MSCI World Index. Continuing its pattern of providing superior returns to shareholders, the Capital Growth Portfolio managed by Janus grew by 6.91% in the period vs. the aforementioned -0.42% for the S&P 500 Index of domestic large cap stocks. Last, we are well pleased with the solid 12-month return of 15.03% for the Balanced Portfolio. This compares very favorably with the 5.98% gain posted by a composite benchmark (consisting of large cap stocks, intermediate term bonds and treasury bills) for the same one year timeframe. As you'll recall, Janus became the sub-advisor for this Portfolio on May 1, 1999.

On May 1, 2000, we added a new Portfolio to the Fund. Sub-advised by Barclays Global Fund Advisors, the S&P 500<sup>1</sup> Index Portfolio seeks to approximate, before fees and expenses, the total rate of return of common stocks publicly traded in the United States as represented by the S&P 500 Index. While not a household name, Barclays has impressive credentials. They created the first index strategy more than 25 years ago. And with \$825 billion under management, they are the largest institutional investment manager in the world<sup>2</sup>.

# FROM THE PRESIDENT

Sales of Jefferson Pilot Financial's variable life and variable annuity products remained strong in the first half of 2000. As a result, net new contributions to the Fund totaled over \$77 million in the period. Net assets in the Fund at the end of June were over \$1.3 billion, almost 10 times the level of 5 years ago. While some of this growth is due to the strong stock market performance of the second half of the '90s, the remainder is attributable to new purchases and additional contributions from our Ensemble®, Allegiance®, and Alpha policyholders. We thank you for your confidence and will continue to manage these products to meet your financial planning needs.

Sincerely,



Ronald R. Angarella  
*President, Jefferson Pilot Variable Fund, Inc.*

<sup>1</sup>"S&P 500®" is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by Jefferson Pilot Variable Corporation. Ensemble, Allegiance and Alpha products are not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of purchasing either of these products.

<sup>2</sup>Assets under management as of March 31, 2000

The Jefferson Pilot Variable Fund investment options offered to policyholders will vary based on the variable insurance or variable annuity contract purchased. Please consult your product prospectus for a full listing of available investment options.

## INDEX

	Page
Portfolio Profiles	
International Equity Portfolio	5
World Growth Stock Portfolio	13
Global Hard Assets Portfolio	21
Emerging Growth Portfolio	29
Capital Growth Portfolio	37
Small Company Portfolio	45
Growth Portfolio	53
S&P 500 Index Portfolio	59
Value Portfolio	71
Balanced Portfolio	77
High Yield Bond Portfolio	85
Money Market Portfolio	97
Financial Statements	102
Notes to Financial Statements	110

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# INTERNATIONAL EQUITY PORTFOLIO

*“If the US slowdown is confirmed, global markets are well placed to repeat the fourth quarter rallies seen in both 1998 and 1999.”*

—Ronald Armist, Portfolio Manager—

## INCEPTION DATE

January 1, 1998

## FUND MANAGER

Lombard Odier International Portfolio  
Management Limited

## INVESTMENT OBJECTIVE AND STRATEGY

To realize long-term capital appreciation by investing substantially all of its total assets in equity securities of companies from countries outside of the United States.

## NET ASSETS AS OF 6/30/00

\$42,102,547

## NUMBER OF HOLDINGS

60

## PORTFOLIO TURNOVER

51.57%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

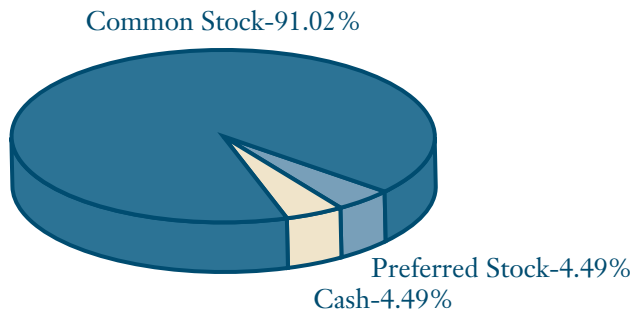
Financial Highlights

Schedule of  
Portfolio Investments

**RONALD ARMIST**  
Managing Director  
Chief Investment Officer,  
Equities

- Joined Lombard in 1983
- 19 years of investment experience
- B.B.S. from University of Cape Town
- Chartered Accountant

# INTERNATIONAL EQUITY PORTFOLIO



June's NAPM survey implies that Q2's slower rate of growth will be extended into Q3 — supporting the soft-landing scenario and reinforcing the belief that the Fed has “almost done enough”. Despite this hopefully benign environment, we remain cautious on the outlook for US equities — at least on a relative basis compared with the better prospects available in other global markets. The current account deficit remains a problem — albeit one that most investors have been happy to ignore — and equity valuations are still extended. Current valuations are incompatible with anything except a soft-landing. If the earnings story begins to unravel and investment returns falter, the IT capex cycle — the key driver behind the US “productivity miracle” — will begin to run out of steam. Against this background international markets look to offer some excellent diversification benefits for US investors.

In Europe, the leading indicators are following the global pattern, with evidence of a weaker growth outlook starting to emerge after almost eighteen months of solid improvement. This augurs well for interest rates, although with CPI in eight of the eleven EMU members now above the European Central Bank's comfort level of 2%, we are not as far down the tightening curve as either the US or the UK. Aggregate TMT valuations have corrected roughly two thirds of the excesses built up in the

The value of your JPVF International Equity Portfolio fell 6.3% during the first six months of 2000. Global equity markets experienced a period of almost unprecedented volatility, as the rally in technology, media and telecommunications (TMT) stocks finally gave way to a period of sharp underperformance when the Dot.Com bubble burst. Unfortunately, markets proved indiscriminate in their subsequent hostility towards anything redolent of the ‘New Economy’ and many quality TMTs were thrown out with the Dot.Com bathwater. Your Portfolio's holdings in such companies as Sony, Vodafone Airtouch and Vivendi consequently proved detrimental to performance, especially in the second quarter.

The US economy is at last showing some willingness to respond to Mr. Greenspan's cooling remedies. Having peaked at 7.3% in the fourth quarter of 1999 (quarter over quarter annualised), US GDP growth slowed to 5.5% in Q1 2000. Current evidence points to a further slowdown to maybe 3.5% in Q2.

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
BP Amoco, PLC	4.02%
Nokia Oyj	3.30%
Total Fina Elf, SA	3.21%
Vodafone AirTouch, PLC	3.19%
Telefonaktiebolaget LM Ericsson, AB	3.12%
Nippon Telegraph & Telephone Corp.	2.64%
Aventis, SA	2.61%
CGU, PLC	2.53%
HSBC Holdings, PLC	2.42%
Roche Holding, AG	2.30%

TOP TEN COUNTRIES	PERCENT OF PORTFOLIO‡
Japan	25.75%
United Kingdom	22.60%
France	8.04%
Netherlands	7.87%
Germany	7.41%
Switzerland	5.32%
Finland	3.30%
Sweden	3.13%
Brazil	3.11%
Ireland	2.46%

‡Represents market value of investments plus cash.

*Foreign securities are subject to higher risks than domestic issues including currency fluctuations, political instability and differences in accounting methods.*

# INTERNATIONAL EQUITY PORTFOLIO

latter part of last year and the early part of this year. The prospect of more sustainable headline growth and falling bond yields over the next year or so should support renewed growth stock outperformance. Restructuring momentum continues to gather pace following the recent passage of tax reform legislation in Germany. We are moving overweight.

In the UK, interest rates have peaked. The next move will be down. This supports our long-held belief that with UK CPI — as defined by the ECB's harmonised measure — now the lowest in Europe, the UK's high real interest rates are unsustainable. With the leading indicators also pointing downwards, the UK would appear closest to achieving the soft-landing. With interest rates set to rise further in the US and Euroland, the relative outlook for UK equities remains favourable. The only obvious threat is the risk of a fall in sterling, although given the mounting hysteria over the alleged disadvantages of sterling remaining outside the EMU, anything which helped remove the barriers to membership would probably be greeted positively by the market. We remain overweight.

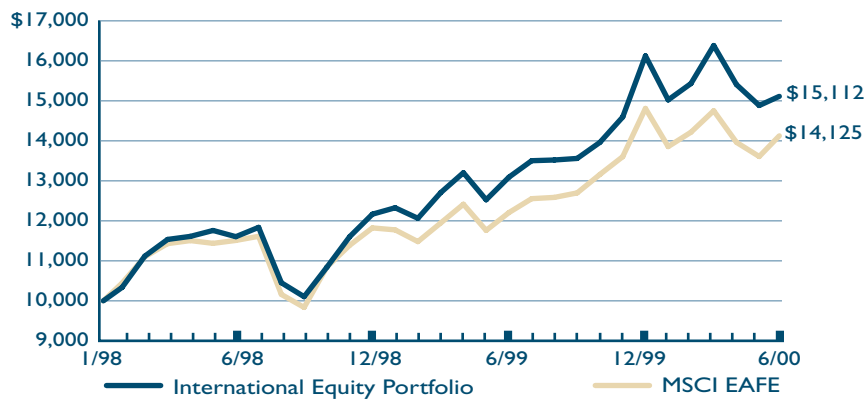
Japan rebounded from two quarters of contracting GDP with a storming 10% annualised quarter over quarter growth in Q1. The Bank of Japan's recent TANKAN survey of business sentiment revealed that manufacturing conditions had improved to their best level in three

years. However, given the likely slowdown in global growth over the next two or three quarters, the continuing strength of Japan's external sector — one of the key drivers of the recent recovery — must be open to question. The Bank of Japan's apparent determination to raise rates at the earliest opportunity also raises the possibility of a significant policy error on a par with disastrous consumption tax hike of 1997. From a bottom-up perspective, corporate restructuring has failed to achieve critical mass, whilst "New Economy" stocks have been discredited by the performance of Softbank and Hikari Tsushin. Without more optimism from the consumer, Japan sadly remains a mean-reverting warrant on global growth. We are moving to underweight.

In the Pacific Rim, growth momentum is peaking and adverse base effects will inevitably produce less attractive headline numbers in the second half. The recent passage of legislation through the US Congress granting China "permanent normal trading relations" effectively guarantees WTO membership. This should help accelerate structural change over the longer term, but the stellar performance of the Chinese indices year-to-date pretty much reflects this. Other markets continue to be led to a greater or lesser degree by a volatile NASDAQ and slowing global growth expectations. The region is just as TMT dependent as most other global markets, so the recent "soft landing rally" has supported good

# INTERNATIONAL EQUITY PORTFOLIO

**International Equity Portfolio and the MSCI EAFE Index**  
Comparison of Change in Value of \$10,000 Investment.



tightening is now behind us. Interest rates in the US, Europe and the UK are likely to peak at much lower levels than in previous cycles, offering significant positive surprise potential. Focus will now shift to the timing of the next cuts!

Second, structural reform in Germany and economic recovery in Japan are gaining momentum. Information technology, software services and telecommunications capital expenditures will continue to support growth as the rest of the world begins to close the gap on the US “productivity miracle”. The US continues to provide the model, but as other economies play catch-up, leadership momentum is crossing the Atlantic. The stubborn refusal of the Japanese consumer to respond to treatment remains the only major stumbling block.

Third, the technology, media and telecommunications sectors suffered heavy losses in the early part of the quarter, correcting at least a portion of the valuation excesses built up during the irrational Dot.Com euphoria of the November to March period. Financials and growth stocks are returning to favour. Buoyant earnings in both the US and Europe should support this trend.

If the US slowdown is confirmed, global markets are well placed to repeat the fourth quarter rallies seen in both 1998 and 1999.

## AVERAGE ANNUAL TOTAL RETURNS

	INTERNATIONAL EQUITY	MSCI EAFE INDEX
YTD	-6.28%	-4.63%
1 YEAR	15.44%	15.72%
INCEPTION	17.99%	14.82%

*Commencement of operations January 1, 1998. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the International Equity Portfolio (the “Portfolio”) at its inception with a similar investment in the MSCI EAFE Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The MSCI EAFE Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

recoveries from the likes of China Telecom, Hutchison Whampoa and Samsung Electronics. However, with the risk of contracting global liquidity, slowing US growth and the possibility of a stalled recovery in Japan, we remain neutral the Pacific Rim.

Despite an environment of slowing global growth and increased market volatility, we remain optimistic on the outlook for equities over the balance of this year. Our optimism is driven by the following three assumptions.

First, global economies are on track to achieve their much-desired soft landing as economic growth — especially in the US — slows to more sustainable trend levels. Pro-active monetary tightening appears to be achieving some measure of success in warding off the supposed evils of inflation. Interest rates remain on an upward trajectory, but the worst of the



# INTERNATIONAL EQUITY PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
Net asset value, beginning of period	\$ 16.07	\$ 12.12	\$ 10.00
<b>Income From Investment Operations</b>			
Net investment loss	(0.01)	(0.01)	
Net gains and losses on securities (both realized and unrealized)	(0.91)	3.96	2.16
Total from investment operations	(0.92)	3.95	2.16
<b>Less Distributions to Shareholders</b>			
Dividends from net investment income			
Dividends in excess of net investment income			
Distributions from capital gains			(0.04)
Distributions in excess of capital gains	(1.12)		
Returns of capital			
Total distributions	(1.12)	0.00	(0.04)
Net asset value, end of period	<u>\$ 14.03</u>	<u>\$ 16.07</u>	<u>\$ 12.12</u>
Total Return (A)	(6.28%)	32.54%	21.66%
Ratios to Average Net Assets: (B)			
Expenses	1.19%	1.25%	1.55%
Net investment income	0.26%	(0.05%)	0.04%
Portfolio Turnover Rate	51.57%	71.98%	77.23%
Net Assets, At End of Period	\$42,102,547	\$35,640,381	\$16,576,281

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

# INTERNATIONAL EQUITY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—91.79%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Aerospace &amp; Defense—1.04%</b>			<b>Computer Software – Mini &amp; Micro—1.18%</b>		
BAE Systems, PLC	69,877	\$ 435,872	Trend Micro, Inc.†	3,000	\$ 496,212
<b>Automotive Manufacturing—3.57%</b>			<b>Diversified Operations—1.19%</b>		
Honda Motor Co., Ltd.	20,000	682,410	Hutchison Whampoa, Ltd.	40,000	502,886
Toyota Motor Corp.	18,000	821,727	<b>Electronic Components—1.71%</b>		
		1,504,137	Epcos, AG†	3,200	323,313
<b>Banking—9.05%</b>			Koninklijke (Royal) Philips Electronics, N.V.	8,400	397,776
Anglo Irish Bank Corp., PLC	181,700	393,385			721,089
Bank of Tokyo-Mitsubishi, Ltd., The	50,000	605,379	<b>Electronics—4.93%</b>		
Barclays, PLC	31,250	777,347	Mabuchi Motor Co., Ltd.	2,000	258,976
Credit Suisse Group	2,270	452,995	Samsung Electronics, GDR	6,469	591,105
Deutsche Bank, AG	11,750	973,160	Sharp Corp.	32,000	567,100
Industrial Bank of Japan, Ltd., The	80,000	607,931	Sony Corp.	7,000	655,000
		3,810,197			2,072,181
<b>Beverages—2.01%</b>			<b>Electronics – Semiconductors—5.72%</b>		
BRL Hardy, Ltd.	75,610	326,138	ARM Holdings, PLC†	58,000	621,711
Heineken, N.V.	8,534	521,513	Infineon Technologies, AG†	6,460	513,976
		847,651	Rohm Co., Ltd.	1,900	556,703
<b>Building Construction—1.19%</b>			STMicroelectronics, N.V.	11,322	716,308
Berkeley Group, PLC, The	52,580	499,928			2,408,698
<b>Building Materials—2.83%</b>			<b>Engineering &amp; Construction—1.74%</b>		
CRH, PLC	35,930	652,678	ABB, Ltd.	6,097	732,082
Tostem Corp.	33,000	539,595	<b>Financial Services—2.44%</b>		
		1,192,273	HSBC Holdings, PLC	89,760	1,026,702
<b>Chemicals—2.63%</b>			<b>Insurance—5.30%</b>		
Aventis, SA (France)	15,100	1,106,590	Aegon, N.V.	20,466	731,181
<b>Commercial Services—2.83%</b>			AXA, SA	2,700	427,051
Granada Group, PLC	67,496	674,449	CGU, PLC	64,430	1,073,020
Vivendi, SA	5,837	517,284			2,231,252
		1,191,733	<b>Manufacturing—1.07%</b>		
<b>Computer Network—1.01%</b>			BBA Group, PLC	68,523	449,212
Fujitsu Support and Service, Inc.	4,300	426,743			

†Non-income producing security.

See notes to financial statements.

# INTERNATIONAL EQUITY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Mining &amp; Metals – Ferrous &amp; Nonferrous–3.10%</b>			<b>Telecommunications – Wireless–5.07%</b>		
Mitsui Mining & Smelting Co., Ltd.	89,000	\$ 677,164	China Mobile (Hong Kong), Ltd.†	58,000	\$ 511,546
Nippon Steel Corp.	297,000	625,993	NTT Mobile Communication		
		<u>1,303,157</u>	Network, Inc.	10	271,263
			Vodafone AirTouch, PLC	335,224	<u>1,355,104</u>
					<u>2,137,913</u>
<b>Oil &amp; Gas – Integrated–8.90%</b>			<b>Utilities – Electric &amp; Gas–1.28%</b>		
BP Amoco, PLC	177,870	1,707,337	Tokyo Electric Power Co.	22,100	<u>539,959</u>
LUKoil Holding, SA	13,282	678,976			
Total Fina Elf, SA	8,840	<u>1,360,914</u>			
		<u>3,747,227</u>			
<b>Oil &amp; Gas Producers–0.56%</b>			<b>TOTAL COMMON STOCK</b>		
Surgutneftegaz, ADR	17,553	<u>233,894</u>	(Cost \$35,766,868)		<u>38,642,493</u>
<b>Pharmaceutical–5.23%</b>			<b>PREFERRED STOCK–4.53%</b>		
Roche Holding, AG	100	976,570	<b>Computer Software – Mini &amp; Micro–1.40%</b>		
SmithKline Beecham, PLC	53,260	697,500	SAP, AG	3,171	<u>588,179</u>
Takeda Chemical Industries, Ltd.	8,000	<u>526,269</u>	<b>Telecommunications – Wireless–3.13%</b>		
		<u>2,200,339</u>	Tele Sudeste Celular Participacoes,		
<b>Publishing &amp; Printing–2.24%</b>			SA, ADR	26,958	822,219
Singapore Press Holdings, Ltd.	31,493	491,794	Telep Celular Participacoes, SA, ADR	11,098	<u>498,023</u>
VNU, N.V.	8,680	<u>450,142</u>			<u>1,320,242</u>
		<u>941,936</u>			
<b>Retail Stores–1.82%</b>			<b>TOTAL PREFERRED STOCK</b>		
Marui Co., Ltd.	40,000	<u>767,475</u>	(Cost \$1,470,888)		<u>1,908,421</u>
<b>Telecommunications – Equipment &amp; Services–6.47%</b>			<b>TOTAL INVESTMENTS</b>		
Nokia Oyj	27,340	1,400,808	(Cost \$37,237,756)	96.32%	40,550,914
Telefonaktiebolaget LM Ericsson, AB	66,483	<u>1,322,732</u>	Other assets, less liabilities	<u>3.68</u>	<u>1,551,633</u>
		<u>2,723,540</u>			
<b>Telecommunications – Integrated–5.68%</b>			<b>TOTAL NET ASSETS</b>		
Deutsche Telekom, AG	13,070	746,714		<u>100.00%</u>	<u>\$ 42,102,547</u>
KPN, N.V.	11,700	525,446			
Nippon Telegraph & Telephone Corp.	84	<u>1,119,455</u>			
		<u>2,391,615</u>			

†Non-income producing security.

See notes to financial statements.

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# WORLD GROWTH STOCK PORTFOLIO

*“...our constant challenge has been to consistently balance risk with potential reward, even in the face of wide swings in market sentiment.”*

—Cindy Sweeting, Portfolio Manager—

## INCEPTION DATE

August 1, 1985

## FUND MANAGER

Templeton Global Advisors Limited

## INVESTMENT OBJECTIVE AND STRATEGY

To achieve long-term capital growth through a policy of investing primarily in stocks of domestic or foreign companies.

## NET ASSETS AS OF 6/30/00

\$138,019,691

## NUMBER OF HOLDINGS

121

## PORTFOLIO TURNOVER

34.76%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

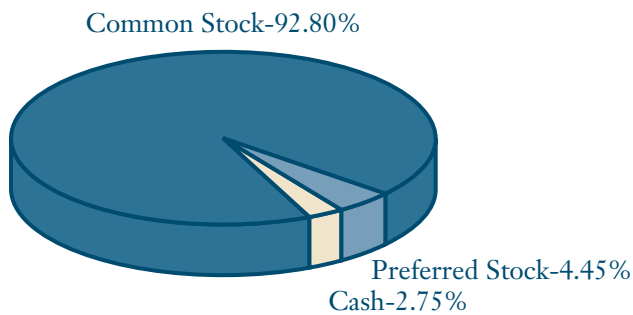
Financial Highlights

Schedule of  
Portfolio Investments

## CINDY SWEETING, CFA

- Joined Templeton organization in 1997
- Previously vice president of investments with McDermott International Co., Inc.
- Serves on Board of Directors of the International Society of Financial Analysts
- B.A. from Georgetown University
- Chartered Financial Analyst

# WORLD GROWTH STOCK PORTFOLIO



increase in the U.S. exposure — particularly in undervalued, non-TMT holdings which began to receive more investor attention. In addition, the portfolio's underweight in Japan added value during the first half, but this was offset by the underperformance of our Hong Kong and Latin American holdings, which lagged the overall market.

Given the persistence of the market's multi-year trend favoring growth and technology, the performance of this most recent period is encouraging given the very attractive valuation characteristics of your Portfolio. Your Portfolio is now trading at just over half the valuation of the index benchmarks on a price-to-earnings and price-to-cashflow basis. This discount is a wide margin by even our own historical standards, but we remain convinced that while the Internet and new technologies are hugely important developments, it has not repealed the laws of earnings and cash flow generation.

We have continued to focus on maintaining a portfolio underpinned by robust valuations, with our research analysis centered on identifying companies with improving fundamentals and appreciable upside potential over a three to five year horizon. Because of the valuation support of your holdings, as well as their improving corporate fundamentals, the Portfolio has held up reasonably well during the sharp pullback in global markets — in which numerous high profile names that had been

During the first months of 2000, global equity markets continued their infatuation with technology, media and telecommunications (TMT) companies, but the final weeks of the first quarter began a fairly significant reversal in the seemingly entrenched outperformance of TMT stocks versus so-called old economy stocks. Rising short-term interest rates worldwide triggered the initial decline in the TMT group, but while even the most exuberant bulls seemed relieved that the six-month superheated rise of TMT issues had cooled down, the over 40% plummet of the NASDAQ in the U.S. — a good proxy for the TMT group as a whole — did prove problematic for most other stocks globally during the second quarter.

The first half of 2000 was therefore generally weak across almost all markets, with the MSCI World Index declining 3.0% for the period. The performance of the World Growth Stock Portfolio, which rose 4.2% for the period, was aided by good stock selection in Europe, particularly in the United Kingdom, France and the Netherlands, and an

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
ING Groep, N.V.	2.27%
BAE Systems, PLC	2.08%
Aventis, SA	2.00%
Telefonos de Mexico, SA, ADR, Class L	1.98%
E.On, AG	1.92%
Compaq Computer Corp.	1.91%
Akzo Nobel, N.V.	1.83%
SBC Communications, Inc.	1.81%
Hutchison Whampoa, Ltd.	1.69%
ProSieben Media, AG	1.64%

TOP TEN COUNTRIES	PERCENT OF PORTFOLIO‡
United States	23.87%
United Kingdom	15.49%
France	7.82%
Japan	7.49%
Netherlands	6.97%
Germany	6.29%
Hong Kong	5.65%
Australia	3.91%
Mexico	2.67%
Spain	2.30%

‡Represents market value of investments plus cash.

*Foreign securities are subject to higher risks than domestic issues including currency fluctuations, political instability and differences in accounting methods.*

# WORLD GROWTH STOCK PORTFOLIO

accorded almost divine status last winter, fell 60% to 90%. The TMT bubble was simply a case of unattainable expectations. As mentioned above, the Internet is certainly a transforming technology, but we continue to believe that the biggest beneficiaries of its potential are likely to be not technology stocks, but mainstream companies that learn how to use it well.

As you know, there has been considerable discussion about the performance gap in recent years between so-called “growth” and “value” styles of investing. To us, one thing stands out: we believe that, over the long term, the weight of evidence firmly supports our conviction that margins, earnings, and valuations matter — irrespective of style. For us, stock selection is not about style dogma. Rather, we focus dispassionately on ascertaining the earnings power of a company on a five-year basis, roughly one business cycle, and on being rigorous about what we are willing to pay for this earnings stream. Sometimes, “growth” stocks fit the bill. At other times, companies with far more pedestrian earnings prospects may be the best bargain candidates. For instance, the utility weighting in the portfolio has been increasing because of what we see as a very favorable interplay between deregulation, negative sentiment, and attractive dividend yields. Overall, our constant challenge has been to consistently balance risk with potential reward, even in the face of wide swings in market sentiment.

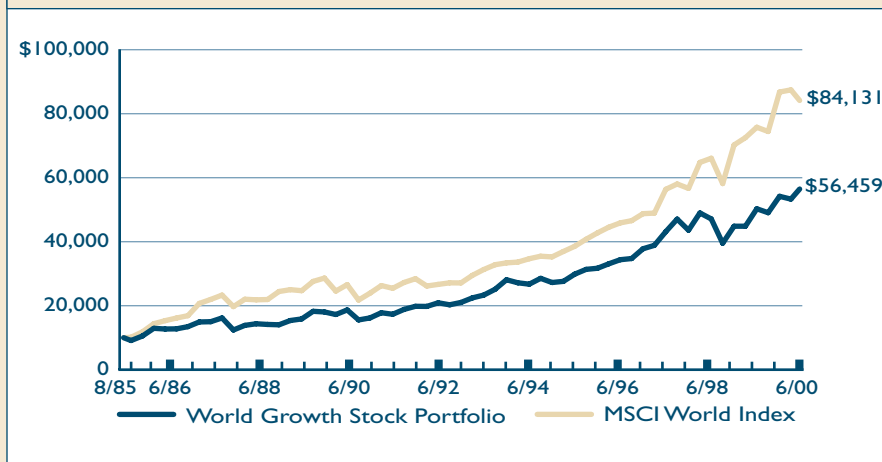
During the second quarter, we continued to take profits in some of our major telecom, media or technology positions when they reached our target valuation levels, such as Nortel, Agilent, Applied Materials, Sony and ProSieben Media. Nomura Securities, Japan’s leading stock brokerage firm, is another stock that has fueled the portfolio’s recent performance, appreciating over 40% in the first half of the year. We initiated a position in Nomura in 1998, when Nomura was trading at a Price-to-Book ratio under 2x, which made it quite a bit cheaper than US competitors such as Morgan Stanley and Merrill Lynch. We found the stock intriguing because of the tremendous growth potential for managed assets in Japan. This year, that premise has begun to play out, with Japanese savers moving assets out of the Postal Savings System and into managed equity investments. By virtue of its commanding domestic market position, Nomura has been able to gather a good percentage of this new money. While we have trimmed positions somewhat, we are comfortable with our remaining holdings and believe that Nomura is well placed to make further gains.

Alcatel was another outstanding performer in the first half of the year, up over 50%. Investors began to place more value on the French company’s optical networking capabilities and its leading position in broadband access equipment. After an earnings disappointment in late 1998, the company’s management has proven its ability to unlock shareholder



# WORLD GROWTH STOCK PORTFOLIO

**World Growth Stock Portfolio and the MSCI World Index**  
Comparison of Change in Value of \$10,000 Investment.



## AVERAGE ANNUAL TOTAL RETURNS

	WORLD GROWTH STOCK	MSCI WORLD INDEX
YTD	4.20%	-3.04%
1 YEAR	12.28%	11.04%
5 YEAR	13.58%	15.51%
10 YEAR	11.70%	10.21%
INCEPTION	12.30%	15.34%

*Commencement of operations August 1, 1985. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the World Growth Stock Portfolio (the "Portfolio") at its inception with a similar investment in the MSCI World Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The MSCI World Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

value though cost-cutting and renewed dedication to profitable growth.

Because of the markets' increasing insistence on the delivery of near-term earnings estimates, and the inability of many companies to match expectations, we have seen a two-tier market emerge globally, and are finding potential bargains among high-quality names. The consumer goods sector is a good example. We have recently been able to purchase several household-name companies at what we consider excellent prices. In the energy sector, we added certain European energy companies some time ago when a pall of gloom hung over the oil patch due to falling oil prices.

In terms of individual markets, it is always difficult to generalize. However, Japan stands out this quarter for several reasons. First, the MSCI Japan Index fell a sizable 6%, partly due to the unraveling of overinflated near-term expectations for Japanese companies and the economy.

The difficulty Japan still finds itself in, fully a decade after the equity market peak, was exemplified by the political disarray evident in the general election. To investors, this signals a lack of policy direction, and an economy that is still weak. There are certainly numerous macro-economic reasons not to want to invest in Japan — low growth, politics, interest rate uncertainty, slow deregulation, an aging population — but there is really nothing new in these. So while the restraints on economic acceleration in Japan remain real and deeply frustrating — these factors do not in themselves prevent corporations in Japan from improving their profit margins. These restructuring companies are the focus of our analysis and as they have been identified, the portfolio's weighting in Japan has increased. Conversely, we are encouraged by the rapid economic recovery in other markets in the Asian region. The recent pullbacks in Hong Kong and Korea have provided us with good bargain-hunting prospects once again.

In sum, even with the latest recovery of some technology stocks, the recent declines have underscored the extreme overvaluation and riskiness of many of these companies and reinforced our conviction that following our stock selection discipline is well suited to positioning the portfolio for the long term.



# WORLD GROWTH STOCK PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 26.08	\$ 21.90	\$ 23.28	\$ 23.31	\$ 21.20	\$ 19.00
<b>Income From Investment Operations</b>						
Net investment income	0.23	0.41	0.56	0.53	0.49	0.45
Net gains and losses on securities (both realized and unrealized)	0.87	4.10	0.12	2.97	3.56	2.65
Total from investment operations	1.10	4.51	0.68	3.50	4.05	3.10
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income	(0.23)	(0.07)	(0.47)	(0.53)	(0.48)	(0.43)
Dividends in excess of net investment income	(0.13)			(0.03)		
Distributions from capital gains	(0.39)	(0.26)	(1.59)	(2.76)	(1.46)	(0.47)
Distributions in excess of capital gains				(0.21)		
Returns of capital						
Total distributions	(0.75)	(0.33)	(2.06)	(3.53)	(1.94)	(0.90)
Net asset value, end of period	<u>\$ 26.43</u>	<u>\$ 26.08</u>	<u>\$ 21.90</u>	<u>\$ 23.28</u>	<u>\$ 23.31</u>	<u>\$ 21.20</u>
Total Return (A)	4.20%	20.86%	2.85%	15.33%	19.22%	16.35%
Ratios to Average Net Assets: (B)						
Expenses	0.87%	0.88%	0.92%	0.91%	0.88%	0.96%
Net investment income	2.00%	1.73%	2.44%	2.33%	2.20%	2.31%
Portfolio Turnover Rate	34.72%	24.80%	33.95%	30.22%	27.50%	18.09%
Net Assets, At End of Period	\$138,019,691	\$133,027,008	\$110,897,303	\$105,567,503	\$91,995,634	\$73,692,357

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

# WORLD GROWTH STOCK PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—92.35%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Aerospace &amp; Defense—2.76%</b>			<b>Chemicals—5.50%</b>		
BAE Systems, PLC	457,500	\$ 2,853,747	Akzo Nobel, N.V.	58,800	\$ 2,508,244
Rolls-Royce, PLC	269,698	957,520	Aventis, SA (France)	18,100	1,326,443
		<u>3,811,267</u>	Aventis, SA (Germany)	19,654	1,422,428
<b>Agricultural Operations—0.64%</b>			BASF, AG	31,000	1,261,455
Archer-Daniels-Midland Co.	90,568	888,699	Clariant, AG	2,900	1,080,743
<b>Airlines—1.69%</b>					<u>7,599,313</u>
British Airways, PLC	143,900	827,888	<b>Commercial Services—2.43%</b>		
Singapore Airlines, Ltd.	92,800	917,802	Dun & Bradstreet Corp., The	47,100	1,348,238
Swire Pacific, Ltd.	732,000	596,305	Gartner Group, Inc., Class B†	110,000	1,086,250
		<u>2,341,995</u>	Invensys, PLC	243,900	915,779
<b>Appliances—0.28%</b>					<u>3,350,267</u>
Best Denki Company, Ltd.	200	1,378	<b>Computer Equipment &amp; Services—2.66%</b>		
Guangdong Kelon Electrical Holdings Company, Ltd.	711,000	385,372	Compaq Computer Corp.	102,800	2,627,825
		<u>386,750</u>	Hewlett-Packard Co.	8,400	1,048,950
<b>Automotive Manufacturing—0.99%</b>					<u>3,676,775</u>
Volkswagen, AG	24,000	920,245	<b>Computer Information &amp; Technology—0.13%</b>		
Volvo, AB	20,000	436,681	Fujitsu, Ltd.	5,000	173,438
		<u>1,356,926</u>	<b>Computer Network—1.46%</b>		
<b>Automotive Parts &amp; Equipment—0.40%</b>			24/7 Media, Inc.†	30,550	477,344
Autoliv, Inc.	22,200	546,729	3Com Corp.†	26,600	1,532,825
<b>Banking—4.55%</b>					<u>2,010,169</u>
Banca Nazionale del Lavoro	376,000	1,329,985	<b>Diversified Operations—2.44%</b>		
Bank Austria, AG	30,800	1,506,342	Hutchison Whampoa, Ltd.	184,800	2,323,335
Bank Handlowy W Warszawie	12,212	192,644	Internatio-Muller, N.V.	60,800	1,049,080
DBS Group Holdings, Ltd.	67,337	864,593			<u>3,372,415</u>
Nordic Baltic Holding	162,600	1,232,843	<b>Electronics—0.91%</b>		
Westpac Banking Corporation, Ltd.	161,100	1,165,569	Sony Corp.	13,400	1,253,857
		<u>6,291,976</u>	<b>Environmental Controls—0.92%</b>		
<b>Building Materials—0.70%</b>			Waste Management, Inc.	67,000	1,273,000
Cemex, SA de CV, CPO	4	19	<b>Financial Services—4.42%</b>		
Nichiha Corp.	67,200	539,879	Australia & New Zealand Banking Group, Ltd.	51,000	392,261
Owens Corning	46,500	430,125	ICICI, Ltd., ADR	43,900	823,125
		<u>970,023</u>	ING Groep, N.V.	45,900	3,115,146
<b>Building Services—0.20%</b>			Nomura Securities Co., Ltd., The	72,000	1,765,948
Hanson, PLC†	39,500	275,113			<u>6,096,480</u>

†Non-income producing security.

See notes to financial statements.

# WORLD GROWTH STOCK PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Food Products—0.33%</b>			<b>Mining &amp; Metals – Precious—0.49%</b>		
Northern Foods, PLC	255,954	\$ 461,143	Anglo American Platinum Corp.	23,392	\$ 674,179
<b>Forest Products &amp; Paper—1.57%</b>			<b>Oil &amp; Gas – Distribution &amp; Marketing—1.32%</b>		
International Paper Co.	29,100	867,544	Burlington Resources, Inc.	47,800	1,828,350
Stora Enso, Oyj, Class R	93,800	858,694	<b>Oil &amp; Gas – Integrated—5.61%</b>		
UPM-Kymmene Oyj	17,900	446,127	Elf Aquitaine, SA	10,500	2,158,982
		2,172,365	Occidental Petroleum Corp.	77,500	1,632,344
<b>Home Furnishings—0.96%</b>			Repsol, SA	111,000	2,218,510
Newell Rubbermaid, Inc.	51,600	1,328,700	Shell Transport & Trading Co.	208,600	1,741,755
<b>Import &amp; Export—1.32%</b>					7,751,591
Li & Fung, Ltd.	363,000	1,816,164	<b>Oil &amp; Gas Producers—0.67%</b>		
<b>Insurance—5.84%</b>			Ranger Oil, Ltd.†	172,500	919,721
Ace, Ltd.	32,000	896,000	<b>Pharmaceutical—6.31%</b>		
AXA	12,800	2,024,540	Abbott Laboratories	39,600	1,764,675
ReliaStar Financial Corp.	36,200	1,898,238	AstraZeneca, PLC	28,924	1,352,097
UnumProvident Corp.	37,700	756,356	Celltech Group, PLC†	66,164	1,282,209
XL Capital, Ltd.	15,300	828,113	Elan Corp., PLC, ADR†	27,500	1,332,031
Zurich Allied, AG	3,300	1,635,693	Merck KGaA	29,000	884,011
		8,038,940	Mylan Laboratories, Inc.	55,400	1,011,050
<b>Machinery—0.60%</b>			Ono Pharmaceutical Co., Ltd.	25,000	1,075,127
Makita Corp.	86,000	821,784			8,701,200
<b>Manufacturing—1.60%</b>			<b>Publishing &amp; Printing—1.60%</b>		
Desc, SA de CV, Series B	111,000	69,916	Wolters Kluwer, N.V., CVA	82,550	2,207,769
Grupo Imsa, SA de CV, ADR	43,000	620,813	<b>Railroad—0.72%</b>		
Metso Oyj	56,400	681,212	East Japan Railway Co.	170	989,778
Varitronix International, Ltd.	483,500	840,465	<b>Real Estate—1.36%</b>		
		2,212,406	Nationwide Health Properties, Inc.	42,600	593,738
<b>Medical Products—0.79%</b>			Unibail (Union du		
Nycomed Amersham, PLC	112,875	1,096,066	Credit-Bail Immobilier)	9,200	1,278,758
<b>Mining &amp; Metals – Ferrous &amp; Nonferrous—1.79%</b>					1,872,496
Broken Hill Proprietary Co.	105,200	1,247,493	<b>Retail Stores—5.99%</b>		
Industrias Penoles, SA	143,300	243,123	Adidas-Salomon, AG	12,200	675,959
Pechiney, SA†	23,485	983,795	Albertson's, Inc.	49,900	1,659,175
		2,474,411	Federated Department Stores, Inc.†	29,700	1,002,375
			Hudson's Bay Co.	46,700	494,830
			J.C. Penney Co., Inc.	94,900	1,749,719
			Marks & Spencer, PLC	194,500	683,916

†Non-income producing security.

See notes to financial statements.

# WORLD GROWTH STOCK PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Retail Stores—Continued</b>			<b>Utilities – Electric &amp; Gas—6.76%</b>		
Matsuzakaya Co., Ltd	3,000	\$ 8,081	E.On, AG	53,500	\$ 2,636,024
Safeway, PLC	240,700	936,562	Hongkong Electric Holdings, Ltd.	299,000	962,784
Tesco, PLC	334,339	1,040,222	Iberdrola, SA	72,900	943,395
		<u>8,250,839</u>	Korea Electric Power Corp.	20,500	636,150
<b>Security Systems—0.78%</b>			National Grid Group, PLC	152,670	1,204,255
Williams, PLC	184,600	<u>1,076,018</u>	National Power, PLC	121,700	775,711
<b>Telecommunications – Equipment &amp; Services—2.15%</b>			Potomac Electric Power Co.	42,362	1,059,050
Alcatel, SA, ADR	23,227	1,544,596	PowerGen, PLC	130,100	<u>1,112,892</u>
MasTec, Inc.†	16,200	618,638			<u>9,330,261</u>
Nortel Networks Corp.	11,680	<u>797,160</u>	<b>Water Treatment—1.64%</b>		
		<u>2,960,394</u>	Kurita Water Industries, Ltd.	52,137	1,150,644
<b>Telecommunications – Integrated—5.82%</b>			Thames Water, PLC	85,843	<u>1,111,215</u>
Nippon Telegraph & Telephone Corp.	110	1,465,953			<u>2,261,859</u>
SBC Communications, Inc.	57,400	2,482,550	<b>TOTAL COMMON STOCK</b>		
Telecom Corporation of New Zealand, Ltd.	146,800	514,857	(Cost \$109,903,813)		<u>127,451,686</u>
Telefonica de Argentina, SA	27,000	857,250	<b>PREFERRED STOCK—4.43%</b>		
Telefonos de Mexico, SA, ADR, Class L	47,600	<u>2,719,150</u>	<b>Broadcasting—1.64%</b>		
		<u>8,039,760</u>	ProSieben Media, AG	17,980	<u>2,257,841</u>
<b>Telecommunications – Wireline—0.20%</b>			<b>Multimedia—1.03%</b>		
Telesp - Telecomunicacoes de Sao Paulo, SA (Brazil)	17,222,060	185,204	News Corporation Ltd., The	117,267	<u>1,419,807</u>
Telesp - Telecomunicacoes de Sao Paulo, SA (US)	5,310	<u>98,235</u>	<b>Telecommunications – Integrated—1.48%</b>		
		<u>283,439</u>	Embratel Participacoes, SA, ADR	64,700	1,528,538
<b>Textiles &amp; Apparel—0.48%</b>			Telecomunicacoes Brasileiras, SA, ADR	5,310	<u>515,734</u>
Yue Yuen Industrial Holdings	300,000	<u>665,811</u>			<u>2,044,272</u>
<b>Toys—0.69%</b>			<b>Telecommunications – Wireless—0.28%</b>		
Mattel, Inc.	72,300	<u>953,456</u>	Tele Sudeste Celular Participacoes, SA, ADR	12,542	<u>382,531</u>
<b>Transportation—1.88%</b>			<b>TOTAL PREFERRED STOCK</b>		
Airborne Freight Corp.	45,800	867,338	(Cost \$2,588,774)		<u>6,104,451</u>
Koninklijke Frans Maas Groep, N.V.	29,800	685,583	<b>TOTAL INVESTMENTS</b>		
Seino Transportation Company, Ltd.	205,000	<u>1,034,673</u>	(Cost \$112,492,587)	96.78%	<u>133,556,137</u>
		<u>2,587,594</u>	Other assets, less liabilities	<u>3.22</u>	<u>4,463,554</u>
			<b>TOTAL NET ASSETS</b>		
				<u>100.00%</u>	<u>\$138,019,691</u>

†Non-income producing security.

See notes to financial statements.

# GLOBAL HARD ASSETS PORTFOLIO

*“...hard assets had mixed results, with exceptional returns on most energy securities and healthy performance in the real estate sector; but disappointing results in most other hard asset sectors.”*

—Derek S. van Eck and Kevin L. Reid, Portfolio Managers—

## INCEPTION DATE

August 1, 1985

## FUND MANAGER

Van Eck Associates Corporation

## INVESTMENT OBJECTIVE AND STRATEGY

To realize long-term capital appreciation  
by globally investing primarily in  
“Hard Asset Securities.”

## NET ASSETS AS OF 6/30/00

\$5,853,086

## NUMBER OF HOLDINGS

87

## PORTFOLIO TURNOVER

52.55%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

Financial Highlights

Schedule of  
Portfolio Investments

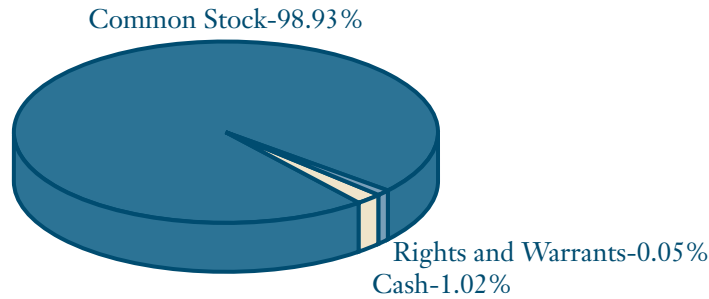
## DEREK S. VAN ECK, CFA

- M.B.A. from J.L. Kellogg Graduate School of Management
- B.A. from Williams College
- Chartered Financial Analyst

## KEVIN L. REID

- Joined Van Eck in 1995
- MBA from Harvard Business School
- B.A. from Colgate University

# GLOBAL HARD ASSETS PORTFOLIO



dramatically positive. A confluence of events was responsible for this, including favorable weather during April and May (30% warmer-than-normal weather led to increased natural gas usage for air conditioning and electricity generation), declining supplies, and a longer-than-expected maintenance period for nuclear generators, resulting in greater demand for natural gas. These factors resulted in a significant inventory decline that continues to worsen.

The price of crude oil jumped by over 35% during the six month period as OPEC agreed to limit production, inventories were at historical lows, and oil producers were reluctant to increase production. Exploration and production stocks were up approximately 52% and oil services stocks were up on average almost 40% over the last six months.

During the first half of the year, we increased the Portfolio's allocation to energy shares from 36% at the beginning of 2000 to 46% of portfolio assets, a move that helped performance. We continued to emphasize exploration and production companies.

Real estate securities substantially outperformed the general market in the first half of the year, providing returns of over 13%. Strong fundamentals, very attractive valuations and 7% yields all contributed to the sector's strong performance. However, the strongest influence was an investor shift in focus from growth stocks to defensive value

We are pleased to report that the JPVF Global Hard Assets Portfolio had a total return of 0.9% for the six months ended June 30, 2000, compared with a 0.4% loss for the S&P 500 Index. During that period, hard assets had mixed results, with exceptional returns on most energy securities and healthy performance in the real estate sector, but disappointing results in most other hard asset sectors. Large allocations to the energy and real estate sectors and reductions in forest products and industrial metals holdings proved beneficial to portfolio performance during the period.

## Market Review

In the first half of the year, energy commodities and stocks were the clear winners, particularly those that were natural gas-related. Natural gas prices soared, up 92% in the first half of the year. Natural gas-oriented exploration and production companies, having languished in the first quarter, suddenly exploded higher in April and May as it became clear that the natural gas supply and demand equation was turning

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
Stillwater Mining Co.	3.39%
Apache Corp.	3.32%
Alcoa, Inc.	2.72%
Talisman Energy, Inc.	2.68%
Boston Properties, Inc.	2.61%
Anadarko Petroleum Corp.	2.45%
Equity Office Properties Trust	2.45%
Global Industries, Ltd.	2.39%
Canadian Natural Resources, Ltd.	2.20%
Grant Prideco, Inc.	2.11%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO‡
Oil & Gas Producers	19.15%
Real Estate	18.95%
Oil & Gas - Integrated	12.20%
Mining & Metals - Precious	10.16%
Oil & Gas Services & Equipment	10.15%
Forest Products & Paper	9.63%
Mining & Metals - Ferrous & Nonferrous	7.38%
Oil & Gas - Distribution & Marketing	4.69%
Aerospace & Defense	1.71%

‡Represents market value of investments plus cash.

*Foreign securities are subject to higher risks than domestic issues including currency fluctuations, political instability and differences in accounting methods.*

# GLOBAL HARD ASSETS PORTFOLIO

stocks in a highly volatile market. The top performing sectors among real estate securities in the first half were hotel and apartment stocks, while office properties also performed well. Our emphasis on these sectors and our decision to increase the Portfolio's real estate allocation from about 17% in January to 20% by the end of June both proved beneficial.

The forest and paper products sector was down sharply overall in the first half of the year, in spite of rising pulp prices. Lumber prices fell substantially lower and forest product stocks declined over 38% for the period despite strong fundamentals, promising supply/demand pictures and healthy corporate restructuring activity. Rather than focusing on these strengths, the market rejected cyclical stocks as central banks worldwide continued to raise interest rates and investors began to worry about a possible global economic slowdown. We reduced the Portfolio's position in forest and paper product stocks from 24% in January to the current approximately 10% as market direction became clear in the second quarter.

Being cyclical in nature, industrial metals shares experienced much of the same negative bias as the forest and paper products sector and, as a result, were down dramatically in the first half of the year, despite only a slight decline in related commodity prices and low inventories. We reduced the Portfolio's industrial metals weighting from over

12% at the start of the year to about 8% by June 30.

Precious metals have had mixed results so far this year, with a slight decline in the price of gold, but record highs for platinum prices and strength in palladium prices. Precious metals shares, however, had disappointing performance. We have maintained a small position of about 10% in this sector, primarily in those metals companies that have an industrial demand base, such as palladium.

## The Outlook

Looking forward, fundamentals for most hard asset sectors remain strong. Most commodity companies have strong earnings momentum, and while this momentum will probably slow in coming quarters, we expect earnings to continue to surprise on the upside.

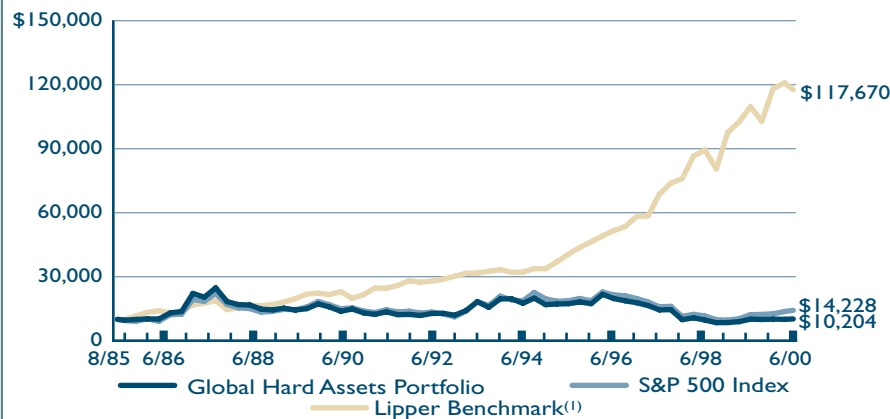
Forecasts of a slowdown in global economic growth, we believe, have been exaggerated--the accelerated growth rates of the last two years may not be repeated, but we do not believe we are heading into a global recession. Thus, in general, hard asset securities should perform well.

We plan to continue to favor energy companies in the near future, which are expected to post second quarter earnings that are up sharply and which are substantially higher than those of the general market or even those of the technology sector. A reversion back to colder winters (with the end of La Nina)



# GLOBAL HARD ASSETS PORTFOLIO

**Global Hard Assets Portfolio, the S&P 500 Index and the Lipper Benchmark<sup>(1)</sup>**  
Comparison of Change in Value of \$10,000 Investment.



## AVERAGE ANNUAL TOTAL RETURNS

	GLOBAL HARD ASSETS	S&P 500 INDEX	LIPPER BENCHMARK <sup>(1)</sup>
YTD	0.90%	-0.42%	13.34%
1 YEAR	1.23%	7.25%	15.27%
5 YEAR	-10.04%	23.77%	-5.33%
10 YEAR	-2.96%	17.76%	-0.48%
INCEPTION	0.14%	17.97%	2.39%

this year, increasing demand for natural gas-fired electricity and declining supplies should support higher natural gas prices. On the oil side, current high prices of \$30 per barrel for crude may

not be maintained, but we expect prices to be supported in the mid-\$20 range due primarily to a lack of excess capacity as well as a dearth of reinvestment in the industry. We will continue to focus on those energy companies that will benefit the most from these elevated prices.

We expect real estate securities to continue to provide competitive returns in the second half of the year, driven by healthy fundamentals, attractive dividends and continued rotation into the sector as a defensive play in an uncertain market.

We would like to thank you for your participation in the JPVF Global Hard Assets Portfolio and look forward to helping you meet your investment objectives in the future.

Commencement of operations August 1, 1985. Past performance is not predictive of future performance.

This graph compares an initial \$10,000 investment made in the Global Hard Assets Portfolio (the "Portfolio"), at its inception with a similar investment in the S&P 500 Index and the Lipper benchmark. For the purposes of this line graph, and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.

The S&P 500 Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.

Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on policies which may include a premium tax charge, account fees, cost of insurance, mortality expense and surrender charge, as applicable.

<sup>(1)</sup> The Lipper benchmark reflects the performance of the Lipper Gold Fund Average from August 1, 1985 through April 30, 1998 and the Lipper Natural Resources Fund Average from May 1, 1998 through June 30, 2000. The Lipper Gold Fund and Natural Resources Fund averages are based on the returns of all mutual funds within the corresponding objective as compiled by Lipper Analytical Services. The averages include the reinvestment of all dividends and underlying fund operating expenses.



# GLOBAL HARD ASSETS PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 8.99	\$ 7.55	\$ 8.92	\$ 16.60	\$ 16.61	\$ 16.25
<b>Income From Investment Operations</b>						
Net investment income (loss)	0.07	0.14	0.17	0.02	(0.03)	0.05
Net gains and losses on securities (both realized and unrealized)	<u>0.01</u>	<u>1.31</u>	<u>(1.41)</u>	<u>(7.30)</u>	<u>0.45</u>	<u>0.40</u>
Total from investment operations	0.08	1.45	(1.24)	(7.28)	0.42	0.45
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income	(0.07)	(0.01)	(0.13)	(0.02)		(0.05)
Dividends in excess of net investment income	(0.04)			(0.07)		(0.04)
Distributions from capital gains					(0.43)	
Distributions in excess of capital gains				(0.31)		
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	(0.11)	(0.01)	(0.13)	(0.40)	(0.43)	(0.09)
Net asset value, end of period	<u>\$ 8.96</u>	<u>\$ 8.99</u>	<u>\$ 7.55</u>	<u>\$ 8.92</u>	<u>\$ 16.60</u>	<u>\$ 16.61</u>
Total Return (A)	0.90%	19.15%	(13.85%)	(44.63%)	2.57%	2.76%
<b>Ratios to Average Net Assets: (B)</b>						
Expenses	1.11%	1.17%	1.44%	1.07%	1.04%	1.01%
Net investment income	1.77%	1.51%	2.13%	0.63%	(0.11%)	0.24%
Portfolio Turnover Rate	52.55%	215.51%	193.80%	19.70%	64.78%	23.98%
Net Assets, At End of Period	\$5,853,086	\$5,524,726	\$4,333,663	\$5,204,654	\$7,554,427	\$6,867,645

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

## GLOBAL HARD ASSETS PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

## COMMON STOCK—100.23%

Company	Shares	Market Value
<b>Aerospace &amp; Defense—1.73%</b>		
Honeywell International, Inc.	3,000	\$ 101,063
<b>Building Materials—0.93%</b>		
Louisiana-Pacific Corp.	5,000	54,375
<b>Commercial Services—1.36%</b>		
Mayne Nickless, Ltd.	38,750	79,803
<b>Forest Products &amp; Paper—9.76%</b>		
Abitibi-Consolidated, Inc.	12,500	117,188
Aracruz Celulose, SA, ADR	900	17,381
Canfor Corp.	6,500	57,687
Fort James Corp.	2,000	46,250
Georgia-Pacific Group	1,550	40,688
Plum Creek Timber Company, Inc.	800	20,800
Sappi, Ltd., ADR	5,000	36,875
Stora Enso, Oyj, Class R	5,500	50,350
Tembec, Inc., Class A†	6,250	60,952
TimberWest Forest Corp.	9,400	65,978
Weyerhaeuser Co.	1,000	43,000
Willamette Industries, Inc.	500	13,625
		570,774
<b>Lodging—0.94%</b>		
Host Marriott Corp.	3,000	28,125
Interstate Hotels Corp.†	22	65
Wyndham International, Inc., Class A†	10,752	26,880
		55,070
<b>Mining &amp; Metals – Ferrous &amp; Nonferrous—7.46%</b>		
AK Steel Holdings Corp.	11,009	88,072
Alcan Aluminium, Ltd.	1,600	49,600
Alcoa, Inc.	5,554	161,066
Billiton, PLC	10,700	43,578
Capral Aluminum, Ltd.	4,300	6,442
Portman, Ltd.†	109,300	52,501
WMC, Ltd.	8,000	35,896
		437,155

## COMMON STOCK—CONTINUED

Company	Shares	Market Value
<b>Mining &amp; Metals – Precious—10.29%</b>		
AngloGold, Ltd.	2,188	\$ 91,698
Barrick Gold Corp.	1,500	27,281
Franco-Nevada Mining Corp., Ltd.	308	3,555
Gold Fields of South Africa, Ltd., ADR	4,000	5,125
Gold Fields, Ltd.	425	1,667
Homestake Mining Co.	10,000	68,750
Newcrest Mining, Ltd.†	38,000	102,672
Placer Dome, Inc.	10,550	100,884
Stillwater Mining Co.†	7,200	200,691
		602,323
<b>Oil &amp; Gas – Distribution &amp; Marketing—4.75%</b>		
Enron Corp.	800	51,600
Tidewater, Inc.	2,350	84,600
Valero Energy Corp.	1,700	53,975
Williams Companies, Inc., The	2,100	87,544
		277,719
<b>Oil &amp; Gas – Integrated—12.36%</b>		
AO Tatneft, ADR†	4,200	41,213
BP Amoco, PLC, ADR	2,200	124,438
Conoco, Inc., Class A	800	17,600
Exxon Mobil Corp.	1,006	78,971
Grant Prideco, Inc.†	5,000	125,000
Nabors Industries, Inc.†	2,450	101,828
Royal Dutch Petroleum Co., ADR	1,500	92,344
Texaco, Inc.	1,300	69,225
USX-Marathon Group	2,900	72,681
		723,300
<b>Oil &amp; Gas Producers—19.41%</b>		
Alberta Energy Co., Ltd.	2,100	84,754
Anadarko Petroleum Corp.	2,950	145,472
Apache Corp.	3,350	197,022
Barrett Resources Corp.†	1,250	38,047
Canadian Natural Resources, Ltd.†	4,500	130,593
Ensign Resource Service Group, Inc.	1,500	49,403
Global Marine, Inc.†	3,300	93,019
Ocean Energy, Inc.†	5,100	72,356
Origin Energy, Ltd.	48,297	46,688
Santa Fe International Corp.	3,400	118,788
Talisman Energy, Inc. (Canada)†	3,000	99,312
Talisman Energy, Inc. (US)†	1,800	59,625
		1,135,079

†Non-income producing security.

See notes to financial statements.

## GLOBAL HARD ASSETS PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			RIGHTS AND WARRANTS—0.05%		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Oil &amp; Gas Services &amp; Equipment—10.29%</b>			<b>Real Estate—0.05%</b>		
Cooper Cameron Corp.†	1,230	\$ 81,180	Unibail, exp. 05/11/04 @ 130 EUR†	500	\$ 2,986
ENSCO International, Inc.	3,300	118,181			
Global Industries, Ltd.†	7,500	141,563			
NQL Drilling Tools, Inc., Class A†	5,000	30,371	<b>TOTAL RIGHTS AND WARRANTS</b>		
R & B Falcon Corp.†	4,000	94,250	(Cost \$769)		2,986
Schlumberger, Ltd.	500	37,313			
Stolt Offshore, SA†	2,100	29,663	<b>TOTAL INVESTMENTS</b>		
Transocean Sedco Forex, Inc.	1,296	69,255	(Cost \$5,771,697)	100.28%	5,865,865
			Other assets, less liabilities	(0.28)	(12,779)
		<u>601,776</u>	<b>TOTAL NET ASSETS</b>	<u>100.00%</u>	<u>\$ 5,853,086</u>
<b>Real Estate—19.16%</b>					
AMB Property Corp.	2,000	45,625			
Apartment Investment & Management Co.	700	30,275			
Bedford Property Investors, Inc.	1,500	27,844			
Boston Properties, Inc.	4,000	154,500			
Brandywine Realty Trust	2,800	53,550			
Brookfield Properties Corp.	6,000	79,571			
Crescent Real Estate Equities Co.	1,500	30,750			
Equity Office Properties Trust	5,278	145,468			
Equity Residential Properties Trust	1,400	64,400			
Kilroy Realty Corp.	1,000	25,938			
Macerich Co., The	1,500	33,094			
Mack-Cali Realty Corp.	2,250	57,797			
Oxford Properties Group, Inc.†	7,500	85,797			
Prentiss Properties Trust	3,800	91,200			
Prologis Trust	2,000	42,625			
Simon Property Group, Inc.	2,800	62,125			
TrizecHahn Corp.	5,000	89,375			
		<u>1,119,934</u>			
<b>Transportation—0.62%</b>					
Knightsbridge Tankers, Ltd.	1,800	36,000			
<b>Utilities – Electric &amp; Gas—1.17%</b>					
United Energy, Ltd.	35,000	68,508			
<b>TOTAL COMMON STOCK</b>					
(Cost \$5,770,928)		<u>5,862,879</u>			

†Non-income producing security.

See notes to financial statements.

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# EMERGING GROWTH PORTFOLIO

*“In our opinion, the recent correction was good for the market in general because it returned stocks to valuations that made sense.”*

—John W. Ballen and Toni Y. Shimura, Portfolio Managers—

## INCEPTION DATE

May 1, 1995

## FUND MANAGER

Massachusetts Financial Services Company

## INVESTMENT OBJECTIVE AND STRATEGY

To seek long-term growth of capital by investing primarily in common stocks of small and medium-sized companies.

## NET ASSETS AS OF 6/30/00

\$204,862,352

## NUMBER OF HOLDINGS

184

## PORTFOLIO TURNOVER

102.20%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

Financial Highlights

Schedule of  
Portfolio Investments

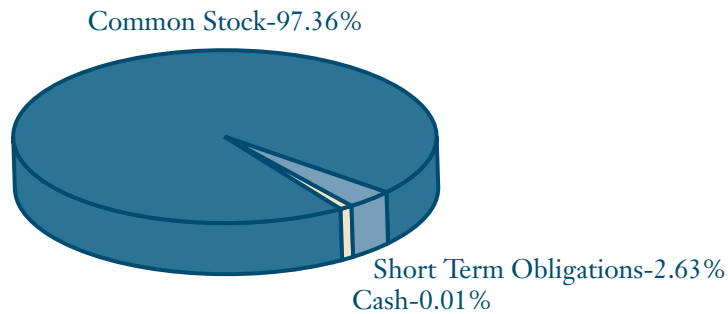
### JOHN W. BALLEEN Executive Vice President

- Director, MFS Equity Portfolio Management
- Joined MFS in 1984
- Serves as MFS senior small capitalization growth equity portfolio manager
- M.B.A. from Stanford University Graduate School of Business
- B.A. from Harvard University

### TONI Y. SHIMURA Vice President, Investments

- Joined MFS in 1987
- M.B.A. from Sloan School of Management, Massachusetts Institute of Technology
- B.A. from Wellesley College

# EMERGING GROWTH PORTFOLIO



overly exuberant, we have tended to decrease risk, and when we think aggressive growth stocks are depressed, we tend to increase the relative risk. Our experience has been that this has helped moderate the downside during a drop in the market and has helped increase our upside potential coming out of a down market.

We also feel that our overall tendency is to own the types of stocks that have historically ridden out market volatility relatively well. Our strategy is to focus on companies with strong earnings growth, companies whose stocks we feel we can hold for five years or more, that have the potential to become major players in their markets. Companies without current earnings or cash flows — the types of firms whose stocks we believe were hardest hit in the correction last March and April — tend not to be a large part of our portfolio.

Looking forward for the Portfolio, we're working to capitalize on four major ideas. First, we foresee the market broadening, both by industry and by market capitalization. Whereas technology seemed to be the only sector doing well over much of the past year, we believe good performance has recently broadened to include a larger number of sectors. Second, we think our software holdings such as BMC Software and

Despite the extreme market volatility in the first half of 2000, we viewed this as a period of opportunity. In our opinion, the recent correction was good for the market in general because it returned stocks to valuations that made sense. But in some cases the market brought down what we believed were both healthy and unhealthy companies simultaneously, and that offered us the chance to buy stock in healthy companies at what we felt were more reasonable prices.

We have also taken more positions in companies that are somewhat highly valued, even after the correction, but which our research indicates has strong prospects for high earnings growth. We believe this increased aggressiveness may help position us to outperform when the market becomes more favorable.

This approach has consistently been part of our strategy for managing the Portfolio in periods of volatility. In general, when we think the market is

TOP TEN EQUITIES	PERCENT OF PORTFOLIO†
Oracle Corp.	11.60%
Cisco Systems, Inc.	6.26%
Nortel Networks Corp.	3.77%
Microsoft Corp.	3.62%
Micron Technology, Inc.	3.32%
Tyco International, Ltd.	3.23%
Intel Corp.	2.97%
Altera Corp.	2.60%
Corning Inc.	2.53%
CIENA Corp.	1.98%

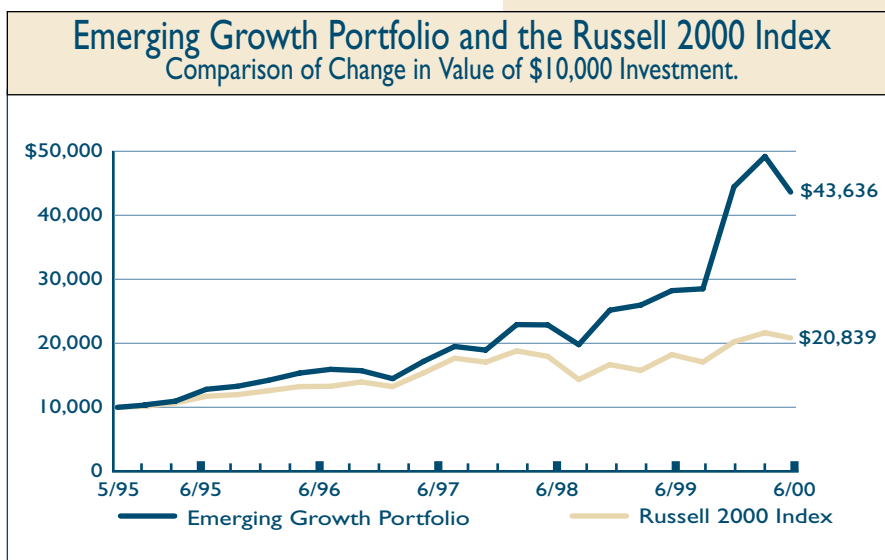
TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO†
Telecommunications – Equipment & Services	12.71%
Electronics – Semiconductors	12.65%
Computer Software – Mainframe	12.49%
Computer Software – Mini & Micro	7.85%
Computer Network	7.32%
Manufacturing	5.76%
Electronic Components	5.21%
Computer Equipment & Services	4.27%
Pharmaceutical	3.74%
Telecommunications – Wireless	3.40%

†Represents market value of investments plus cash.

# EMERGING GROWTH PORTFOLIO

Compuware could potentially be strong performers later this year as expanding Internet initiatives and other new technologies force companies to upgrade their software to remain competitive. Third, we believe that companies building the Internet's infrastructure, such as VeriSign, Oracle, and Cisco, will continue to prosper from Internet growth. We expect that one of the biggest drivers of this growth will be businesses seizing upon Internet applications to reduce costs and increase productivity. A fourth theme found in the portfolio is business services companies such as First Data and Affiliated Computer Services. Services provided by these companies make it possible for larger firms to outsource, downsize, and restructure in order to increase productivity and earnings.

While some of our holdings, most notably Oracle and Cisco, have grown into large, rather mature companies, we still consider ours to be an emerging growth portfolio. That is because we feel it is the growth rate of a company, rather than its size, that classifies it as emerging growth; our definition of an emerging growth company is one that is growing earnings, on average, by 20% or more per year. According to our research, this compares to a historical average earnings growth rate for the Standard & Poor's



500 Index of about 8% over the past 60 years and a more recent average of about 15% over the past five to seven extraordinary years. We view Oracle and Cisco as the software and communications leaders of the Internet, and the Internet as the biggest emerging growth area in the economy. So in spite of their size and maturity, we feel these are still very much emerging growth companies.

## AVERAGE ANNUAL TOTAL RETURNS

	EMERGING GROWTH	RUSSELL 2000 INDEX
YTD	-1.82%	3.04%
1 YEAR	54.54%	14.32%
5 YEAR	31.82%	14.27%
INCEPTION	32.97%	15.26%

*Commencement of operations May 1, 1995. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Emerging Growth Portfolio (the "Portfolio") at its inception with a similar investment in the Russell 2000 Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The Russell 2000 Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

# EMERGING GROWTH PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Period From May 1, 1995 to December 31, 1995(A)
Net asset value, beginning of period	\$ 40.67	\$ 23.04	\$ 17.47	\$ 15.23	\$ 13.29	\$ 10.00
<b>Income From Investment Operations</b>						
Net investment loss	(0.06)	(0.10)	(0.11)	(0.07)	(0.05)	(0.04)
Net gains and losses on securities (both realized and unrealized)	<u>(0.24)</u>	<u>17.73</u>	<u>5.85</u>	<u>3.19</u>	<u>2.48</u>	<u>3.33</u>
Total from investment operations	(0.30)	17.63	5.74	3.12	2.43	3.29
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income						
Dividends in excess of net investment income						
Distributions from capital gains			(0.06)	(0.88)	(0.49)	
Distributions in excess of capital gains	<u>(3.82)</u>		<u>(0.11)</u>			
Returns of capital						
Total distributions	(3.82)	0.00	(0.17)	(0.88)	(0.49)	0.00
Net asset value, end of period	<u>\$ 36.55</u>	<u>\$ 40.67</u>	<u>\$ 23.04</u>	<u>\$ 17.47</u>	<u>\$ 15.23</u>	<u>\$ 13.29</u>
Total Return (B)	(1.82%)	76.51%	32.93%	20.47%	18.30%	32.91%
<b>Ratios to Average Net Assets: (C)</b>						
Expenses	0.90%	0.94%	0.94%	1.00%	1.16%	1.63%
Net investment income	(0.35%)	(0.42%)	(0.61%)	(0.61%)	(0.48%)	(0.84%)
Portfolio Turnover Rate	102.20%	163.56%	77.07%	122.85%	94.58%	30.31%
Net Assets, At End of Period	\$204,862,352	\$189,472,948	\$95,795,377	\$56,229,175	\$30,794,030	\$11,439,524

(A) Per share data calculated from the initial offering date, May 1, 1995, for sale to Jefferson Pilot Financial Separate Account A.

(B) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(C) Per share data and ratios are calculated on an annualized basis.



## EMERGING GROWTH PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—97.46%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Banking—1.40%</b>			<b>Computer Information Systems—0.14%</b>		
AXA Financial, Inc.	11,300	\$ 384,200	i2 Technologies, Inc.†	2,700	\$ 281,517
Charter One Financial, Inc.	4,200	96,600	<b>Computer Network—7.32%</b>		
Citigroup, Inc.	20,400	1,229,100	Allscripts, Inc.†	350	8,050
First Tennessee National Corp.	200	3,313	Brocade Communications Systems, Inc.†	2,600	477,059
Golden West Financial Corp.	8,600	350,988	Cabletron Systems, Inc.†	9,800	247,450
PNC Financial Services Group	7,400	346,875	Cisco Systems, Inc.†	202,060	12,843,439
Providian Financial Corp.	3,600	324,000	Foundry Networks, Inc.†	1,200	132,600
State Street Corp.	1,100	116,669	Juniper Networks, Inc.†	7,000	1,018,938
		<u>2,851,745</u>	ONI Systems Corp.†	280	32,817
<b>Beverages—0.40%</b>			Redback Networks, Inc.†	1,400	249,200
Anheuser-Busch Companies, Inc.	5,100	380,906			<u>15,009,553</u>
Coca-Cola Co., The	7,500	430,781	<b>Computer Software – Mainframe—12.50%</b>		
		<u>811,687</u>	BMC Software, Inc.†	40,235	1,467,950
<b>Broadcasting—0.82%</b>			Cadence Design Systems, Inc.†	10,360	211,085
AT&T Corp. - Liberty Media Group†	31,400	761,450	E.piphany, Inc.†	1,300	139,344
Clear Channel Communications, Inc.†	7,100	532,500	Oracle Corp.†	283,050	23,793,878
USA Networks, Inc.†	17,600	380,600			<u>25,612,257</u>
		<u>1,674,550</u>	<b>Computer Software – Mini &amp; Micro—7.87%</b>		
<b>Building Construction—0.83%</b>			Ariba, Inc.†	1,200	117,656
Bouygues, SA	2,530	1,697,661	Check Point Software Technologies, Inc.†	7,500	1,588,125
<b>Commercial Services—0.05%</b>			Computer Associates International, Inc.	18,612	952,702
Cendant Corp.†	5,762	80,668	Lightspan, Inc.†	290	1,595
Quanta Services, Inc.†	300	16,500	Mercury Interactive Corp.†	3,600	348,300
		<u>97,168</u>	Microsoft Corp.†	92,800	7,424,000
<b>Computer Equipment &amp; Services—4.25%</b>			SAP, AG, ADR	900	42,244
Automatic Data Processing, Inc.	25,000	1,339,063	Siebel Systems, Inc.†	7,000	1,144,938
Compaq Computer Corp.	10,600	270,963	Sun Microsystems, Inc.†	30,900	2,809,969
Computer Sciences Corp.†	14,400	1,075,500	VERITAS Software Corp.†	14,800	1,672,631
Comverse Technology, Inc.†	5,800	539,400			<u>16,102,160</u>
Dell Computer Corp.†	13,900	685,444	<b>Diversified Operations—0.53%</b>		
EMC Corp.†	47,400	3,646,838	General Electric Co.	20,500	1,086,500
Emulex Corp.†	1,600	105,100	<b>Educational Services—0.23%</b>		
First Data Corp.	13,400	664,975	Learning Tree International, Inc.†	7,700	471,625
Fiserv, Inc.†	3,600	155,700			
Insight Enterprises, Inc.†	150	8,897			
Seagate Technology, Inc.†	4,800	264,000			
		<u>8,755,880</u>			

†Non-income producing security.

See notes to financial statements.

## EMERGING GROWTH PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Electrical Equipment—0.40%</b>			<b>Electronics – Semiconductors—Continued</b>		
AES Corp., The†	15,500	\$ 707,188	PMC-Sierra, Inc.†	2,600	\$ 461,988
Emerson Electric Co.	1,800	108,675	Texas Instruments, Inc.	4,200	288,488
		<u>815,863</u>			<u>25,942,396</u>
<b>Electronic Components—5.22%</b>			<b>Environmental Controls—0.13%</b>		
Analog Devices, Inc.†	39,400	2,994,400	Waters Corp.†	2,200	274,588
Flextronics International, Ltd.†	16,820	1,155,324	<b>Financial Services—1.12%</b>		
Jabil Circuit, Inc.†	2,520	125,055	American Express Co.	6,600	344,025
Linear Technology Corp.	18,600	1,189,238	Household International, Inc.	7,200	299,250
Maxim Integrated Products, Inc.†	260	17,664	Mellon Financial Corp.	9,300	338,869
Micrel, Inc.†	400	17,375	Merrill Lynch & Co., Inc.	11,200	1,288,000
Microchip Technology, Inc.†	255	14,858	Waddell & Reed Financial, Inc.	300	9,844
Sanmina Corp.†	10,860	928,530			<u>2,279,988</u>
SIPEX Corp.†	1,300	35,994	<b>Healthcare—0.49%</b>		
Sollectron Corp.†	14,100	590,438	Bausch & Lomb, Inc.	4,900	379,138
Xilinx, Inc.†	43,900	3,624,494	Cardinal Health, Inc.	6,800	503,200
		<u>10,693,370</u>	Quest Diagnostics, Inc.†	1,500	107,344
<b>Electronics—0.44%</b>					<u>989,682</u>
Credence Systems Corp.†	400	22,075	<b>Insurance—0.49%</b>		
LTX Corp.†	600	20,963	American International Group, Inc.	6,000	705,000
New Focus, Inc.†	140	11,498	Hartford Financial Services		
Teradyne, Inc.†	11,500	845,250	Group, Inc., The	5,500	307,656
		<u>899,786</u>			<u>1,012,656</u>
<b>Electronics – Semiconductors—12.68%</b>			<b>Internet Services—1.74%</b>		
Altera Corp.†	52,300	5,331,331	Art Technology Group, Inc.†	600	60,563
Applied Materials, Inc.†	7,500	679,688	BEA Systems, Inc.†	1,000	49,438
ARM Holdings, PLC†	12,500	133,989	Internet Commerce Corp.†	400	5,800
ARM Holdings, PLC, ADR†	69,300	2,278,238	VeriSign, Inc.†	19,560	3,452,340
Atmel Corp.†	11,400	420,375			<u>3,568,141</u>
ATMI, Inc.†	240	11,160	<b>Manufacturing—5.77%</b>		
Burr-Brown Corp.†	300	26,006	Capstone Turbine Corp.†	220	9,914
Conductus, Inc.†	700	13,825	Corning, Inc.	19,200	5,181,600
Intel Corp.	45,500	6,082,781	Tyco International, Ltd.	139,898	6,627,668
Lam Research Corp.†	15,400	577,500			<u>11,819,182</u>
LSI Logic Corp.†	25,000	1,353,125			
Marvell Technology Group, Ltd.†	200	11,400			
Micron Technology, Inc.†	77,400	6,816,038			
Motorola, Inc.	2,600	75,563			
National Semiconductor Corp.†	22,100	1,254,175			
Novellus Systems, Inc.†	2,100	118,781			
Photronics, Inc.†	280	7,945			

†Non-income producing security.

See notes to financial statements.

## EMERGING GROWTH PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Medical – Biotechnology–2.21%</b>			<b>Oil &amp; Gas Services &amp; Equipment–0.94%</b>		
Abgenix, Inc.†	1,000	\$ 119,859	Baker Hughes, Inc.	23,900	\$ 764,800
Amgen, Inc.†	20,400	1,433,100	Dynegy, Inc.	8,200	560,163
BioSource International, Inc.†	2,200	48,950	Halliburton Co.	6,800	320,875
Genentech, Inc.†	6,800	1,169,600	Transocean Sedco Forex, Inc.	5,200	277,875
Human Genome Sciences, Inc.†	1,500	200,063			1,923,713
Immunex Corp.†	11,800	583,363	<b>Pharmaceutical–3.74%</b>		
Merrill Lynch Biotech Holding Co.	4,400	783,200	Abbott Laboratories	22,800	1,016,025
Pharmacia Corp.	4,000	206,750	Allergan, Inc.	4,000	298,000
		4,544,885	ALZA Corp.†	1,900	112,338
<b>Medical Products–0.02%</b>			American Home Products Corp.	3,900	229,125
Alkermes, Inc.†	400	18,850	Andrx Corp.†	1,600	102,275
BioSphere Medical, Inc.†	800	11,200	Bristol-Myers Squibb Co.	9,600	559,200
		30,050	MedImmune, Inc.†	4,200	310,800
<b>Medical Supplies–0.63%</b>			Pfizer, Inc.	42,200	2,025,600
Pe Corp-Pe Biosystems Group	19,600	1,291,150	Sepracor, Inc.†	21,900	2,641,688
<b>Multimedia–0.46%</b>			Teva Pharmaceutical Industries, Ltd.	6,600	365,888
Viacom, Inc., Class B†	13,700	934,169			7,660,939
<b>Oil &amp; Gas – Distribution &amp; Marketing–0.28%</b>			<b>Professional Sports–0.01%</b>		
Enron Corp.	9,000	580,500	International Speedway Corp.	308	12,744
<b>Oil &amp; Gas – Integrated–0.01%</b>			<b>Retail Stores–2.86%</b>		
Grant Prideco, Inc.†	400	10,000	Albertson's, Inc.	12,000	399,000
Weatherford International, Inc.†	400	15,925	CVS Corp.	14,100	564,000
		25,925	Kohl's Corp.†	1,900	105,688
<b>Oil &amp; Gas Producers–2.18%</b>			Kroger Co., The†	9,600	211,800
Anadarko Petroleum Corp.	10,500	517,781	Safeway, Inc.†	53,600	2,418,700
Apache Corp.	6,200	364,638	RadioShack Corp.	17,900	848,013
Coastal Corp., The	15,500	943,563	Wal-Mart Stores, Inc.	23,000	1,325,375
Devon Energy Corp.	4,800	269,700			5,872,576
EOG Resources, Inc.	43,800	1,467,300	<b>Telecommunications – Equipment &amp; Services–12.73%</b>		
Global Marine, Inc.†	11,600	326,975	ADC Telecommunications, Inc.†	19,562	1,640,763
Noble Affiliates, Inc.	2,200	81,950	Alcatel, SA, ADR	6,900	458,850
Noble Drilling Corp.†	12,100	498,369	Amdocs, Ltd.†	600	46,050
		4,470,276	CIENA Corp.†	24,400	4,067,175
			Global Crossing, Ltd.†	23,000	605,188
			ITC^DeltaCom, Inc.†	300	6,694
			JDS Uniphase Corp.†	11,470	1,374,966

†Non-income producing security.

See notes to financial statements.

# EMERGING GROWTH PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Telecommunications – Equipment &amp; Services—Continued</b>			<b>Tobacco—0.03%</b>		
Lucent Technologies, Inc.	1,800	\$ 106,650	Philip Morris Companies, Inc.	2,600	\$ 69,063
Metromedia Fiber Network, Inc.†	64,480	2,559,050	<b>Travel Services—0.00%</b>		
MRV Communications, Inc.†	1,700	114,325	Pegasus Solutions, Inc.†	300	3,263
Nokia Oyj, SA, ADR	58,400	2,916,350	<b>Utilities – Electric &amp; Gas—1.30%</b>		
Nortel Networks Corp.	113,328	7,734,636	Calpine Corp.†	40,400	2,656,300
Scientific-Atlanta, Inc.	300	22,350	<b>Wholesale Distributor—0.00%</b>		
Sycamore Networks, Inc.†	8,200	905,075	United Stationers, Inc.†	300	9,713
Telefonaktiebolaget LM Ericsson, AB, ADR	96,800	1,936,000	<b>TOTAL COMMON STOCK</b>		
Tellabs, Inc.†	23,000	1,574,063	(Cost \$145,707,941)		199,676,436
		<u>26,068,185</u>	<b>SHORT-TERM OBLIGATIONS—2.63%</b>		
<b>Telecommunications – Integrated—0.98%</b>				Principal Value	
China Unicom, Ltd., ADR†	2,000	42,500	<b>Government Agency—2.63%</b>		
Intermedia Communications, Inc.†	5,500	163,625	Federal Home Loan Mortgage Corp.,		
MGC Communications, Inc.†	3,100	185,806	6.570%, due 07/03/00	\$5,400,000	5,398,029
NEXTLINK Communications, Inc.†	1,200	45,525	<b>TOTAL SHORT-TERM OBLIGATIONS</b>		
WorldCom, Inc.†	34,608	1,587,642	(Cost \$5,398,029)		5,398,029
		<u>2,025,098</u>	<b>TOTAL INVESTMENTS</b>		
<b>Telecommunications – Wireless—3.39%</b>			(Cost \$151,105,970)	100.00%	205,074,465
Nextel Communications, Inc.†	8,200	501,738	Other assets, less liabilities	(0.09)	(212,113)
Sprint Corp. – PCS Group†	37,500	2,231,250	<b>TOTAL NET ASSETS</b>		
Vodafone AirTouch, PLC	280,565	1,134,154	100.00%	<u>\$204,862,352</u>	
Vodafone AirTouch, PLC, ADR	17,400	721,013			
VoiceStream Wireless Corp.†	20,521	2,386,529			
		<u>6,974,684</u>			
<b>Telecommunications – Wireline—0.87%</b>					
Sonera Oyj	16,500	755,248			
Sprint Corp. – Fon Group	20,000	1,020,000			
		<u>1,775,248</u>			

†Non-income producing security.

See notes to financial statements.

# CAPITAL GROWTH PORTFOLIO

*“Fast-growing, well-managed companies with time-tested business models prevailed while much of the unhealthy hype that had sustained the extreme valuations in some sectors was washed out of the market.”*

—Mark Pinto, Portfolio Manager—

## INCEPTION DATE

May 30, 1992

## FUND MANAGER

Janus Capital Corporation

## INVESTMENT OBJECTIVE AND STRATEGY

To seek capital growth.  
Realization of income is not a significant investment consideration.

## NET ASSETS AS OF 6/30/00

\$413,162,780

## NUMBER OF HOLDINGS

45

## PORTFOLIO TURNOVER

7.74%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

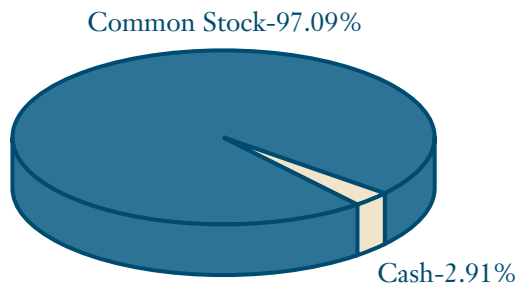
Financial Highlights

Schedule of  
Portfolio Investments

## MARK PINTO, CFA Vice President

- Joined Janus Capital Corporation in 1994
- 14 years of investment experience
- B.A. from Yale University
- M.B.A. from Harvard University
- Chartered Financial Analyst

# CAPITAL GROWTH PORTFOLIO



On balance, the market's retrenchment and the selective recovery that followed represented a healthy and much-needed evolution in market sentiment. Fast-growing, well-managed companies with time-tested business models prevailed while much of the unhealthy hype that had sustained the extreme valuations in some sectors was washed out of the market. We are extremely pleased with the Portfolio's performance in this challenging environment. Our traditional growth franchises in areas like consumer staples, financial services and pharmaceuticals supported performance during the most difficult first months of the period only to transfer leadership to our carefully selected media, telecommunications and technology stocks in June as fortunes at that end of the market improved. This allowed us to gain 6.91% while our benchmark, the S&P 500 Index gave back 0.42%.

While a number of stocks contributed to performance, our semiconductor positions were particularly buoyant. After a long period of cyclical decline, semiconductor manufacturers across the globe are running at full capacity to keep up with burgeoning demand created by booming sales of a whole range of new and increasingly sophisticated electronic

Although markets entered the year on a positive note, a retreat by technology stocks that began in March weighed against stocks for much of the period as investors re-examined the extreme valuations placed on a number of the market's highest fliers. By June, however, things had changed. A 0.50% increase in short-term interest rates by the Federal Reserve in late May, together with a slowdown in housing starts, weak industrial production numbers and a lukewarm reading on business confidence suggested that the vibrant U.S. economy was finally slowing to a sustainable pace. This emboldened traders and allowed the market to stage a comeback that partially erased the losses sustained during the spring volatility, but not before a healthy winnowing out of companies whose prospects for long-term success were marginal.

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
Nokia Oyj, SA, ADR	6.02%
Cisco Systems, Inc.	4.97%
EMC Corp.	4.62%
Time Warner, Inc.	4.46%
Viacom, Inc., Class B	4.39%
Comcast Corp.	4.28%
Linear Technology Corp.	4.15%
General Electric Co.	3.42%
Sun Microsystems, Inc.	3.30%
Applied Materials, Inc.	3.29%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO‡
Broadcasting	9.83%
Electronics –	
Semiconductors	9.26%
Multimedia	8.85%
Telecommunications –	
Equipment & Services	7.98%
Financial Services	7.27%
Telecommunications –	
Wireless	6.28%
Computer Software –	
Mini & Micro	5.89%
Computer Equipment	
& Services	5.44%
Computer Network	4.97%
Banking	4.29%

‡Represents market value of investments plus cash.

# CAPITAL GROWTH PORTFOLIO

devices. Texas Instruments and Linear Technologies, whose microchips are widely used in telecommunications devices such as cellular phones and base stations, continued to outperform as a result of explosive growth in cellular penetration rates worldwide. Meanwhile, this strength also filtered down to companies that supply the machinery used to manufacture semiconductors, including Applied Materials, as industry leaders moved to increase the scale of their manufacturing operations.

Several of our financial services positions also gained ground. Charles Schwab and Morgan Stanley Dean Witter both overcame an unsettled interest rate environment to post strong gains. Trading volumes at Schwab's online unit continued to outpace even the most optimistic estimates, allowing the company's stock to continue its long climb. Morgan Stanley also surprised analysts by reporting back-to-back quarters of estimate-beating results, including an impressive 49% increase in profit for the quarter ended February 29. The company's solid performance was led by higher trading volumes as well as strength at its merger advisory and underwriting units, and we look for Morgan Stanley to further increase its leading position in these businesses in coming months. Bank of New York also gained as it continued to increase its market share in securities custody and processing, a lucrative, fee-based business

that gives the company a stable source of revenue in times of market turmoil.

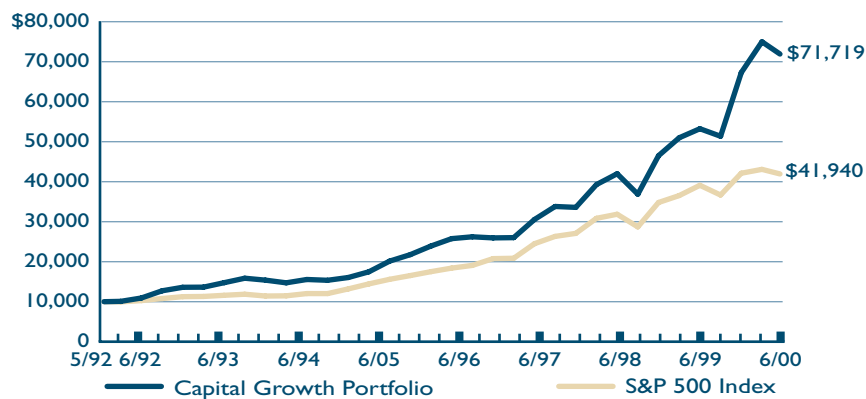
While we were pleased with the Portfolio's performance, there were a few setbacks. Several of our retail positions traded lower after investors became concerned that the Federal Reserve would be unable to engineer a soft landing for the U.S. economy, thereby stoking fears of a slowdown in retail sales. Notable disappointments included warehouse retailer Costco, which fell sharply after the company hinted that profit growth would slow for the remainder of the year. While we believe the market's reaction was somewhat overdone, we trimmed the position as a matter of discipline.

In technology, Microsoft was perhaps our most visible disappointment. In early April, U.S. District Court Judge Thomas Penfield Jackson ruled that the company should be split into two separate companies, one that focuses on operating systems and another that focuses on application software and other products. The stock declined sharply on the news and has yet to fully recover to its pre-judgement high. Although Microsoft's decline was discouraging, we have always believed the company is capable of prevailing on appeal. Furthermore, the worst-case scenario — a complete break up of Microsoft — does nothing to change the extremely strong fundamentals currently supporting the company. Still, uncertainty related to the



# CAPITAL GROWTH PORTFOLIO

**Capital Growth Portfolio and the S&P 500 Index**  
Comparison of Change in Value of \$10,000 Investment.



conduct research in exciting new areas such as genomics and proteomics. We believe the company provides us exposure to the genomics sector while assuming a level of risk that is consistent with our style of management and were pleased to purchase a stake in the company at a sizable discount to its 52-week high.

Looking forward, while a return to the extreme volatility that rattled the market during the first quarter of 2000 seems unlikely, a range of factors that include interest rate uncertainty may keep markets unsettled in coming months. However, our investment thesis is unchanged — the market will continue to reward companies capable of long-term growth and we hope to participate by leveraging our hands-on research to identify individual standouts, one by one.

## AVERAGE ANNUAL TOTAL RETURNS

	CAPITAL GROWTH	S&P 500 INDEX
YTD	6.91%	-0.42%
1 YEAR	35.07%	7.25%
5 YEARS	32.70%	23.77%
INCEPTION	27.31%	19.18%

ongoing litigation will likely create a sizable overhang for the stock over the near- to mid-term, and we have sized our position accordingly.

We took advantage of extreme volatility in the biotechnology sector to build our position in PE Biosystems, a company that provides scientists with the equipment and supplies necessary to

*Commencement of operations May 1, 1992. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Capital Growth Portfolio (the "Portfolio") at its inception with a similar investment in the S&P 500 Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The S&P 500 Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*



# CAPITAL GROWTH PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 39.27	\$ 27.90	\$ 21.23	\$ 17.26	\$ 17.38	\$ 13.38
<b>Income From Investment Operations</b>						
Net investment income (loss)	(0.13)	(0.12)	(0.09)		0.05	0.03
Net gains and losses on securities (both realized and unrealized)	<u>2.91</u>	<u>12.31</u>	<u>8.25</u>	<u>4.99</u>	<u>3.24</u>	<u>5.56</u>
Total from investment operations	2.78	12.19	8.16	4.99	3.29	5.59
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income					(0.05)	(0.03)
Dividends in excess of net investment income						
Distributions from capital gains	(1.82)	(0.82)	(1.49)	(0.81)	(3.36)	(1.56)
Distributions in excess of capital gains				(0.21)		
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	(1.82)	(0.82)	(1.49)	(1.02)	(3.41)	(1.59)
Net asset value, end of period	<u>\$ 40.23</u>	<u>\$ 39.27</u>	<u>\$ 27.90</u>	<u>\$ 21.23</u>	<u>\$ 17.26</u>	<u>\$ 17.38</u>
Total Return (A)	6.91%	44.65%	38.47%	29.41%	19.25%	41.74%
Ratios to Average Net Assets: (B)						
Expenses	1.08%	1.03%	1.09%	1.09%	1.13%	1.15%
Net investment income	(0.67%)	(0.42%)	(0.38%)	0.02%	0.30%	0.21%
Portfolio Turnover Rate	7.74%	41.65%	54.58%	91.66%	147.82%	170.32%
Net Assets, At End of Period	\$413,162,780	\$365,864,399	\$198,002,451	\$124,123,995	\$70,832,162	\$49,853,029

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

# CAPITAL GROWTH PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—97.14%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Banking—4.30%</b>			<b>Entertainment &amp; Leisure—3.04%</b>		
Bank of New York Co., Inc., The	220,170	\$ 10,237,905	Autotote Corp.†	4,672	\$ 20,440
Citigroup, Inc.	124,812	7,519,923	Carnival Corp.	119,565	2,331,518
		<u>17,757,828</u>	MGM Grand, Inc.	319,110	10,251,409
					<u>12,603,367</u>
<b>Beverages—1.10%</b>			<b>Financial Services—7.28%</b>		
Anheuser-Busch Companies, Inc.	60,850	<u>4,544,734</u>	American Express Co.	163,985	8,547,718
<b>Broadcasting—9.83%</b>			Charles Schwab Corp., The	213,411	7,175,945
AT&T Corp. – Liberty Media Group†	343,000	8,317,750	Fannie Mae	74,385	3,881,967
Cablevision Systems Corp.†	121,275	8,231,541	Morgan Stanley Dean Witter & Co.	125,420	10,441,215
Comcast Corp.†	436,540	17,679,870			<u>30,046,845</u>
Grupo Televisa, SA, ADR†	93,000	6,411,188	<b>Internet Services—1.29%</b>		
		<u>40,640,349</u>	VeriSign, Inc.†	30,150	<u>5,321,475</u>
<b>Computer Equipment &amp; Services—5.44%</b>			<b>Manufacturing—1.40%</b>		
Dell Computer Corp.†	69,095	3,407,247	Tyco International, Ltd.	122,110	<u>5,784,961</u>
EMC Corp.†	248,100	19,088,194	<b>Medical – Biotechnology—1.16%</b>		
		<u>22,495,441</u>	Genentech, Inc.†	27,815	<u>4,784,180</u>
<b>Computer Network—4.97%</b>			<b>Medical Supplies—1.09%</b>		
Cisco Systems, Inc.†	323,067	<u>20,534,946</u>	Pe Corp-Pe Biosystems Group	68,345	<u>4,502,227</u>
<b>Computer Software – Mini &amp; Micro—5.89%</b>			<b>Multimedia—8.85%</b>		
Microsoft Corp.†	133,785	10,702,800	Time Warner, Inc.	242,615	18,438,740
Sun Microsystems, Inc.†	149,950	13,636,078	Viacom, Inc., Class B†	266,266	18,156,013
		<u>24,338,878</u>			<u>36,594,753</u>
<b>Diversified Operations—3.42%</b>			<b>Oil &amp; Gas – Distribution &amp; Marketing—2.03%</b>		
General Electric Co.	266,565	<u>14,127,945</u>	Enron Corp.	129,925	<u>8,380,163</u>
<b>Electronic Components—4.15%</b>			<b>Pharmaceutical—2.43%</b>		
Linear Technology Corp.	268,200	<u>17,148,038</u>	Pfizer, Inc.	155,238	7,451,400
<b>Electronics – Semiconductors—9.27%</b>			Schering-Plough Corp.	51,800	2,615,900
Applied Materials, Inc.†	150,250	13,616,406			<u>10,067,300</u>
ASM Lithography Holding, N.V.†	235,125	10,374,891			
Taiwan Semiconductor					
Manufacturing Co., Ltd.†	130,208	5,045,560			
Texas Instruments, Inc.	134,765	9,256,671			
		<u>38,293,528</u>			

†Non-income producing security.

See notes to financial statements.

## CAPITAL GROWTH PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000—CONTINUED

## COMMON STOCK—CONTINUED

Company	Shares	Market Value
<b>Retail Stores—4.06%</b>		
Costco Wholesale Corp.†	112,875	\$ 3,724,875
Home Depot, Inc., The	119,077	5,946,408
Staples, Inc.†	218,115	3,353,518
Wal-Mart Stores, Inc.	65,255	3,760,319
		<u>16,785,120</u>
<b>Telecommunications – Equipment &amp; Services—7.98%</b>		
General Motors Corp., Class H†	54,325	4,767,019
Lucent Technologies, Inc.	55,940	3,314,445
Nokia Oyj, SA, ADR	498,520	24,894,840
		<u>32,976,304</u>
<b>Telecommunications – Integrated—1.87%</b>		
Telefonica, SA, ADR†	120,745	7,735,227
<b>Telecommunications – Wireless—6.29%</b>		
Nextel Communications, Inc.†	171,930	10,519,967
Sprint Corp. – PCS Group†	192,320	11,443,040
Vodafone AirTouch, PLC, ADR	96,400	3,994,575
		<u>25,957,582</u>
<b>TOTAL COMMON STOCK</b>		
(Cost \$230,725,275)		<u>401,421,191</u>
<b>TOTAL INVESTMENTS</b>		
(Cost \$230,725,275)	97.14%	401,421,191
Other assets, less liabilities	<u>2.86</u>	<u>11,741,589</u>
<b>TOTAL NET ASSETS</b>	<u>100.00%</u>	<u>\$413,162,780</u>

†Non-income producing security.

See notes to financial statements.

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# SMALL COMPANY PORTFOLIO

*“Should economic growth remain strong, we believe the prospect for earnings growth for small companies remains excellent.”*

—Stephen J. McGruder, Portfolio Manager—

## INCEPTION DATE

April 18, 1986

## FUND MANAGER

Lord, Abbett and Company

## INVESTMENT OBJECTIVE AND STRATEGY

To achieve growth of capital by investing in a diversified portfolio primarily of U.S. equity securities issued by small companies.

## NET ASSETS AS OF 6/30/00

\$84,952,098

## NUMBER OF HOLDINGS

188

## PORTFOLIO TURNOVER

33.24%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

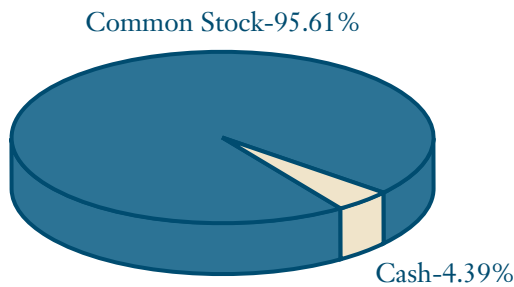
Financial Highlights

Schedule of  
Portfolio Investments

## STEPHEN J. McGRUDER, CFA Partner

- Joined Lord, Abbett in 1995
- Nearly 30 years of industry experience
- B.S. from Stanford University
- B.A. in Business Economics from Claremont McKenna College
- Chartered Financial Analyst

# SMALL COMPANY PORTFOLIO



earnings shortfall or reported company problem, no matter how slight. In addition, uncertainty around the Federal Reserve's (the Fed) activities and their potential influence on the economy caused investors to retreat from the stocks of companies that had previously led the small company market's performance (e.g., technology, Internet). Instead, they sought safety in the stocks of more established firms that exhibited earnings history and other strong fundamentals. In June, the picture changed once again, and the Russell 2000 Index, led primarily by the performance of stocks of technology and biotechnology companies, came storming back.

## Portfolio Review

During the first quarter of 2000, the Portfolio continued to execute its proven philosophy of long-term investing in small-growth companies. Performance benefited most significantly during the quarter from our holdings in the stocks of technology and biotechnology companies which continued to benefit from both rapid multiple expansion and strong earnings growth. We were, however, underweighted in technology and biotechnology companies relative to the Russell 2000 Growth Index because we believed many of the stocks were overvalued. As a result, the Portfolio underperformed the Index for the quarter.

## Market Review

During the first quarter of 2000, the combination of a strong economy and increased investor stock trading via the Internet created what we consider to be a volatile "market of extremes." During this time, we saw the prices of some technology and biotechnology companies rise to extraordinarily high levels. We believe that, in many cases, these high prices were the result of the predominance of momentum styles of investing and excitement with everything "tech," and not because of attractive valuations. Upon seeing increasingly deteriorating company fundamentals, investors abandoned their pursuit of overpriced speculative tech stocks late in the quarter and shifted their focus toward companies with real earnings and reasonable valuations.

During April and May, the performance of the technology-heavy Russell 2000 Index dropped substantially as investors in small company stocks continued to show intolerance for any

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
Plantronics, Inc.	4.36%
TeleTech Holdings, Inc.	2.13%
RadiSys Corp.	1.97%
Coherent, Inc.	1.90%
Timberland Co., The	1.83%
OM Group, Inc.	1.70%
Sawtek, Inc.	1.57%
NVIDIA Corp.	1.42%
Core Laboratories, N.V.	1.37%
Technitrol, Inc.	1.37%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO‡
Computer Equipment & Services	8.74%
Commercial Services	7.33%
Retail Stores	6.91%
Telecommunications – Equipment & Services	5.61%
Textiles & Apparel	5.50%
Medical Products	4.81%
Computer Software – Mini & Micro	4.25%
Electronic Components	4.19%
Oil & Gas Producers	4.14%
Internet Services	3.72%

‡Represents market value of investments plus cash.

*The Portfolio invests in stocks of developing companies which involve greater risk and are generally more volatile than investments in mature companies.*

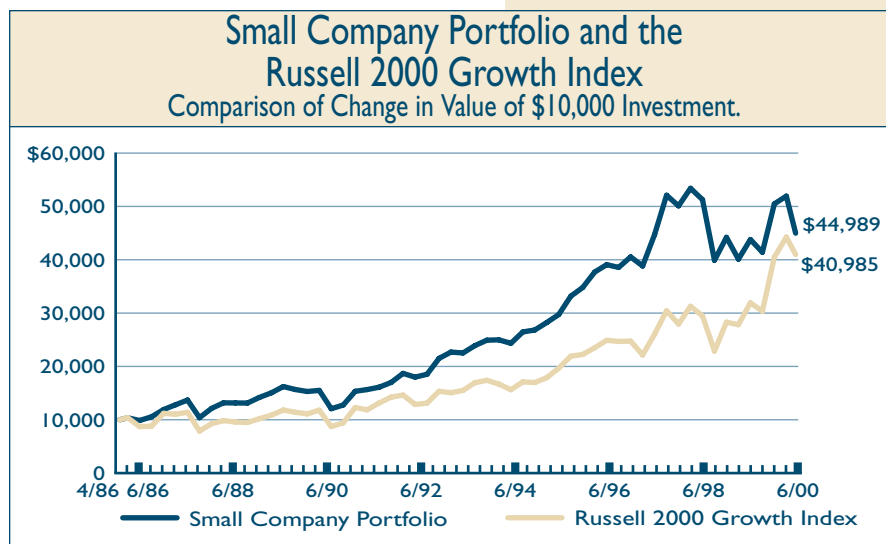
# SMALL COMPANY PORTFOLIO

During the market's down period in April and May, we took the opportunity to make select additions to the Portfolio from across many industries, in companies where we believed fundamentals and prices were attractive. The Portfolio's performance kept pace with the Index through May, due to our relatively minimal exposure to faltering technology issues. However, in June, the resurgence of investors' enthusiasm, especially for these stocks of biotechnology companies, hurt the Portfolio's performance, as our exposure to these companies was minimal.

## Outlook

As we move into the second half of the year, we believe the volatility in the market is likely to continue in the short-term and liquidity and earnings shortfalls will continue to be concerns for small company investors. However, as the economy continues to slow, we believe many smaller companies will experience strong performance. Regardless of market conditions, we will continue to execute our disciplined investment approach, remaining focused on finding the high quality companies with attractive long-term earnings growth prospects.

We believe the best course of action in light of the stock market's current volatile environment is to continue making long-



term investments. The stocks of small growth companies with strong management, visionary business plans and attractive valuations offer investors long-term investment opportunity. The recent relative outperformance of small companies is encouraging. Should economic growth remain strong, we believe the prospect for earnings growth for small companies remains excellent. Additionally, we believe that the valuations of many different types of small growth companies are reasonable, especially compared to the stocks of larger companies.

As always, we remain committed to constructing the very best Portfolio possible for our clients and appreciate the opportunity to help you meet your investment goals.

## AVERAGE ANNUAL TOTAL RETURNS

	SMALL COMPANY	RUSSELL 2000 GROWTH INDEX
YTD	-10.88%	1.22%
1 YEAR	2.73%	28.39%
5 YEAR	8.63%	15.80%
10 YEAR	11.24%	13.26%
INCEPTION	11.16%	10.46%

*Commencement of operations April 18, 1986. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Small Company Portfolio (the "Portfolio") at its inception with a similar investment in the Russell 2000 Growth Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The Russell 2000 Growth Index is an unmanaged index and include the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*



# SMALL COMPANY PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 18.05	\$ 16.24	\$ 20.43	\$ 18.19	\$ 17.87	\$ 15.94
<b>Income From Investment Operations</b>						
Net investment income (loss)	(0.04)	(0.02)	0.22	0.09	0.06	0.15
Net gains and losses on securities (both realized and unrealized)	<u>(1.92)</u>	<u>2.22</u>	<u>(2.59)</u>	<u>4.17</u>	<u>2.85</u>	<u>4.48</u>
Total from investment operations	(1.96)	2.20	(2.37)	4.26	2.91	4.63
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income		(0.02)	(0.19)	(0.09)	(0.06)	(0.15)
Dividends in excess of net investment income						
Distributions from capital gains		(0.37)	(1.63)	(1.93)	(2.53)	(2.55)
Distributions in excess of capital gains						
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	0.00	(0.39)	(1.82)	(2.02)	(2.59)	(2.70)
Net asset value, end of period	<u>\$ 16.09</u>	<u>\$ 18.05</u>	<u>\$ 16.24</u>	<u>\$ 20.43</u>	<u>\$ 18.19</u>	<u>\$ 17.87</u>
Total Return (A)	(10.88%)	14.20%	(11.78%)	23.60%	16.46%	29.72%
Ratios to Average Net Assets: (B)						
Expenses	0.84%	0.86%	0.87%	0.83%	0.85%	0.87%
Net investment income	(0.53%)	(0.14%)	1.23%	0.47%	0.31%	0.95%
Portfolio Turnover Rate	33.24%	143.95%	43.06%	52.92%	49.75%	64.17%
Net Assets, At End of Period	\$84,952,098	\$92,991,539	\$78,343,648	\$81,505,107	\$62,166,366	\$48,517,886

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

# SMALL COMPANY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—95.60%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Aerospace &amp; Defense—1.52%</b>			<b>Computer Equipment &amp; Services—Continued</b>		
Armor Holdings, Inc.†	37,600	\$ 488,800	Insight Enterprises, Inc.†	18,300	\$ 1,085,419
Orbital Sciences Corp.†	65,300	795,844	MicroTouch Systems, Inc.†	27,500	237,188
		<u>1,284,644</u>	NVIDIA Corp.†	19,000	1,207,688
<b>Airlines—1.31%</b>			RadiSys Corp.†	29,450	1,671,288
Frontier Airlines, Inc.†	29,100	416,494	Sykes Enterprises, Inc.†	29,700	382,388
SkyWest, Inc.	18,700	693,069	Xircom, Inc.†	14,400	684,000
		<u>1,109,563</u>			<u>7,428,291</u>
<b>Broadcasting—0.54%</b>			<b>Computer Information &amp; Technology—1.31%</b>		
Regent Communications, Inc.†	32,400	278,439	Manhattan Associates, Inc.†	13,100	327,500
Salem Communications Corp.†	19,100	177,273	MarchFirst, Inc.†	20,846	380,440
		<u>455,712</u>	Multex.com, Inc.†	13,100	329,956
<b>Building Construction—0.34%</b>			Technology Solutions Co.†	10,600	65,588
Crossmann Communities, Inc.†	17,600	290,400			<u>1,103,484</u>
<b>Building Materials—0.57%</b>			<b>Computer Information Systems—3.03%</b>		
Elcor Corp.	20,900	480,700	Dendrite International, Inc.†	14,450	481,366
<b>Chemicals—1.97%</b>			iGate Capital Corp.†	39,400	541,750
H. B. Fuller Co.	5,000	227,813	MICROS Systems, Inc.†	22,400	415,800
OM Group, Inc.	32,800	1,443,200	National Computer Systems, Inc.	23,000	1,132,750
		<u>1,671,013</u>			<u>2,571,666</u>
<b>Commercial Services—7.32%</b>			<b>Computer Network—0.18%</b>		
Acxiom Corp.†	38,900	1,060,025	FVC.COM, Inc.†	19,900	154,225
Advance Paradigm, Inc.†	22,100	453,050	<b>Computer Software – Mainframe—0.92%</b>		
Cornell Cos., Inc.†	21,800	174,400	Manugistics Group, Inc.†	8,500	397,375
Healthcare Services Group, Inc.†	26,400	118,800	Verity, Inc.†	10,100	383,800
Hooper Holmes, Inc.	58,600	468,800			<u>781,175</u>
Iron Mountain, Inc.†	32,300	1,098,200	<b>Computer Software – Mini &amp; Micro—4.27%</b>		
McGrath RentCorp	13,700	232,900	3DO Co., The†	21,900	171,779
MemberWorks, Inc.†	14,200	477,475	Activision, Inc.†	20,500	133,250
NCO Group, Inc.†	14,500	335,313	Cambridge Technology Partners, Inc.†	81,400	709,710
TeleTech Holdings, Inc.†	58,200	1,807,818	eCollege.com†	23,500	102,813
		<u>6,226,781</u>	ePresence, Inc.†	5,500	39,875
<b>Computer Equipment &amp; Services—8.74%</b>			Exchange Application Inc.†	13,200	351,450
Advanced Digital Information Corp.†	57,800	921,188	IMRglobal Corp.†	10,900	142,381
CheckFree Holdings Corp.†	9,400	484,688	InfoCure Corp.†	15,700	88,313
Ciber, Inc.†	18,800	249,100	Landmark Systems Corp.†	21,600	129,600
Infocus Corp.†	15,700	505,344	National Instruments Corp.†	13,350	582,394

†Non-income producing security.

See notes to financial statements.

# SMALL COMPANY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Computer Software – Mini &amp; Micro—Continued</b>			<b>Electronics – Semiconductors—0.63%</b>		
Optio Software, Inc.†	14,000	\$ 83,782	American Xtal Technology, Inc.†	6,300	\$ 272,475
Phoenix Technologies, Ltd.†	16,600	270,788	Pioneer-Standard Electronics, Inc.	7,800	115,050
Primus Knowledge Solutions, Inc.†	5,200	234,000	Rudolph Technologies, Inc.†	3,800	147,250
Project Software & Development, Inc.†	9,700	174,600			534,775
RAVISENT Technologies, Inc.†	14,800	104,525	<b>Entertainment &amp; Leisure—0.55%</b>		
Scansoft, Inc.†	35,367	99,470	Bally Total Fitness Holding Corp.†	14,600	370,475
THQ, Inc.†	15,700	191,344	Cinar Corp.†	17,000	90,666
		3,610,074			461,141
<b>Consulting Services—2.88%</b>			<b>Financial Services—0.34%</b>		
Corporate Executive Board Co., The†	18,900	1,131,638	Federal Agricultural Mortgage Corp.†	19,900	289,794
Diamond Technology Partners, Inc.†	11,900	1,047,200	<b>Food Products—0.56%</b>		
eLoyalty Corp.†	10,600	135,150	Horizon Organic Holding Corp.†	13,200	140,250
First Consulting Group, Inc.†	11,600	64,525	Smithfield Foods, Inc.†	11,700	328,331
Renaissance Worldwide, Inc.†	43,100	67,344			468,581
		2,445,857	<b>Food Service &amp; Restaurants—0.65%</b>		
<b>Cosmetics &amp; Personal Care—0.72%</b>			CEC Entertainment, Inc.†	9,500	243,438
Steiner Leisure, Ltd.†	21,800	493,225	P.F. Chang's China Bistro, Inc.†	9,500	303,406
Twinlab Corp.†	19,200	122,400			546,844
		615,625	<b>Healthcare—1.36%</b>		
<b>Electrical Equipment—0.79%</b>			Apria Healthcare Group, Inc.†	34,900	427,525
Dionex Corp.†	4,600	123,050	Matria Healthcare, Inc.†	65,900	302,731
Helix Technology Corp.	3,100	120,900	MedQuist, Inc.†	12,400	421,600
SLI, Inc.	35,900	435,288			1,151,856
		679,238	<b>Human Resources—1.39%</b>		
<b>Electronic Components—4.19%</b>			Butler International, Inc.†	14,150	120,275
Moog, Inc.†	8,000	211,000	CDI Corp.†	7,900	160,963
Sawtek, Inc.†	23,100	1,329,694	Labor Ready, Inc.†	20,900	138,463
Technitrol, Inc.	12,000	1,162,500	Modis Professional Services, Inc.†	22,100	196,138
Three-Five Systems, Inc.†	14,450	852,550	On Assignment, Inc.†	18,800	573,400
		3,555,744			1,189,239
<b>Electronics—2.19%</b>			<b>Internet Services—3.72%</b>		
Ampex Corp.†	67,900	114,581	Alloy Online, Inc.†	14,800	166,500
Analogic Corp.	12,000	480,000	Corillian Corp.†	7,400	123,025
Artesyn Technologies, Inc.†	25,300	703,656	CyberSource Corp.†	11,100	153,319
EMS Technologies, Inc.†	13,800	248,400	eMerge Interactive, Inc.†	12,900	231,394
LeCroy Corp.†	16,700	164,913	Etinium, Inc.†	11,300	63,563
Universal Electronics, Inc.†	6,100	149,831	Jupiter Communications, Inc.†	11,500	264,500
		1,861,381	Lionbridge Technologies, Inc.†	17,400	169,650
			NBC Internet, Inc.†	500	6,250
			Netopia, Inc.†	7,100	285,775

†Non-income producing security.

See notes to financial statements.

# SMALL COMPANY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Internet Services—Continued</b>			<b>Oil &amp; Gas Producers—4.14%</b>		
Proxicom, Inc.†	4,700	\$ 225,013	Evergreen Resources, Inc.†	22,200	\$ 657,675
S1 Corp.†	32,300	752,994	EXCO Resources, Inc.†	15,800	158,000
Student Advantage, Inc.†	59,500	435,094	Louis Dreyfus Natural Gas Corp.†	30,500	955,031
Switchboard, Inc.†	16,900	169,000	Stone Energy Corp.†	12,600	752,850
Vicinity Corp.†	5,900	115,788	Vintage Petroleum, Inc.	44,100	995,006
		<u>3,161,865</u>			<u>3,518,562</u>
<b>Machinery—0.67%</b>			<b>Oil &amp; Gas Services &amp; Equipment—1.88%</b>		
Flow International Corp.†	19,400	194,000	Core Laboratories, N.V.†	40,200	1,165,800
Semitool, Inc.†	21,500	372,219	Seitel, Inc.†	20,600	167,375
		<u>566,219</u>	Superior Energy Services, Inc.†	25,600	265,600
<b>Manufacturing—2.01%</b>					<u>1,598,775</u>
Cable Design Technologies Corp.†	17,300	579,550	<b>Pharmaceutical—3.68%</b>		
Identix, Inc.†	10,400	163,150	Albany Molecular Research, Inc.†	7,500	408,281
Matthews International Corp.	14,300	414,700	Barr Laboratories, Inc.†	7,950	356,259
Meade Instruments Corp.†	12,300	309,038	ICOS Corp.†	20,700	910,800
Therma-Wave, Inc.†	3,400	75,863	ILEX Oncology, Inc.†	7,800	274,950
Wabtec, Inc.	16,750	173,781	Kos Pharmaceuticals, Inc.†	8,300	133,319
		<u>1,716,082</u>	Noven Pharmaceutical Inc.†	9,100	273,569
<b>Medical – Biotechnology—1.15%</b>			PathoGenesis Corp.†	24,600	639,600
Corixa Corp.†	15,100	648,356	Pharmaceutical Product		
Maxim Pharmaceuticals, Inc.†	6,500	333,938	Development, Inc.†	6,400	134,400
		<u>982,294</u>			<u>3,131,178</u>
<b>Medical Products—4.81%</b>			<b>Professional Sports—0.44%</b>		
Arrow International, Inc.	21,100	706,850	Championship Auto Racing Teams, Inc.†	14,500	369,750
ATS Medical, Inc.†	38,000	555,750	<b>Railroad—0.10%</b>		
Coherent, Inc.†	19,200	1,610,400	RailWorks Corp.†	10,700	86,938
Hanger Orthopedic Group, Inc.†	28,900	142,694	<b>Real Estate—0.36%</b>		
Orthofix International, N.V.†	20,900	373,588	Catellus Development Corp.†	9,200	138,000
SonoSite, Inc.†	14,100	406,256	Healthcare Realty Trust, Inc.	10,000	170,625
Theragenics Corp.†	33,500	286,844			<u>308,625</u>
		<u>4,082,382</u>	<b>Retail – Internet—0.38%</b>		
<b>Mining &amp; Metals – Precious—1.26%</b>			Cyberian Outpost, Inc.†	22,500	108,281
Stillwater Mining Co.†	38,500	1,073,188	Fatbrain.com, Inc.†	17,900	118,029
<b>Oil &amp; Gas – Distribution &amp; Marketing—0.21%</b>			iGo Corp.†	23,200	89,900
TransMontaigne, Inc.†	29,400	180,075			<u>316,210</u>

†Non-income producing security.

See notes to financial statements.

# SMALL COMPANY PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Retail Stores—6.91%</b>			<b>Textiles &amp; Apparel—5.49%</b>		
Ames Department Stores, Inc.†	16,800	\$ 130,200	Cutter & Buck, Inc.†	15,200	\$ 120,650
AnnTaylor Stores Corp.†	34,700	1,149,438	G & K Services, Inc.	27,000	676,688
Children's Place Retail Stores, Inc., The†	28,500	584,250	Kenneth Cole Productions, Inc.†	14,050	562,000
Cost Plus, Inc.†	9,360	268,515	Quicksilver, Inc.†	43,300	673,856
MSC Industrial Direct Co., Inc.†	39,100	818,656	Tarrant Apparel Group†	28,800	257,400
Pacific Sunwear of California, Inc.†	37,050	694,688	Timberland Co., The†	22,000	1,557,875
Shoe Carnival, Inc.†	23,600	147,500	Tropical Sportswear Int'l Corp.†	29,600	518,000
Tuesday Morning Corp.†	14,200	149,100	Vans, Inc.†	21,000	307,125
ValueVision International, Inc.†	25,600	614,400			<u>4,673,594</u>
Whole Foods Market, Inc.†	24,700	1,020,419	<b>Travel Services—0.87%</b>		
Wild Oats Markets, Inc.†	18,250	229,266	American Classic Voyages Co.†	18,200	375,375
Zany Brainy, Inc.†	25,600	67,200	Pegasus Solutions, Inc.†	33,450	363,769
		<u>5,873,632</u>			<u>739,144</u>
<b>Telecommunications – Equipment &amp; Services—5.60%</b>			<b>Utilities – Electric &amp; Gas—0.25%</b>		
ADC Telecommunications, Inc.†	3,440	288,530	Independent Energy Holdings, PLC, ADR†	25,700	213,631
CellStar Corp.†	96,100	267,283	<b>Water Treatment—0.39%</b>		
Comtech Telecommunications†	16,700	275,550	Ionics, Inc.†	10,900	333,813
Netro Corp.†	4,000	229,500			
Plantronics, Inc.†	32,100	3,707,550	<b>TOTAL COMMON STOCK</b>		
		<u>4,768,413</u>	(Cost \$80,684,554)		<u>81,226,211</u>
<b>Telecommunications – Integrated—1.32%</b>			<b>TOTAL INVESTMENTS</b>		
GST Telecommunications†	28,500	0	(Cost \$80,684,554)	95.60%	81,226,211
Lightbridge, Inc.†	15,700	374,838	Other assets, less liabilities	<u>4.40</u>	<u>3,725,887</u>
MGC Communications, Inc.†	12,500	749,219			
		<u>1,124,057</u>	<b>TOTAL NET ASSETS</b>		
<b>Telecommunications – Wireless—1.58%</b>				<u>100.00%</u>	<u>\$ 84,952,098</u>
Boston Communications Group†	20,200	282,800			
Clearnet Communications, Inc.†	27,600	766,331			
TALK.com, Inc.†	51,500	299,344			
		<u>1,348,475</u>			
<b>Telecommunications – Wireline—0.11%</b>					
Aegis Communications Group, Inc.†	90,600	91,506			

†Non-income producing security.

See notes to financial statements.

# GROWTH PORTFOLIO

*“...it seems likely that the valuation disparity between technology stocks and ‘Old Economy’ issues will continue to close.”*

—Ronald C. Ognar, Portfolio Manager—

## INCEPTION DATE

January 1, 1998

## FUND MANAGER

Strong Capital Management, Inc.

## INVESTMENT OBJECTIVE AND STRATEGY

To seek capital growth by investing primarily in equity securities.

## NET ASSETS AS OF 6/30/00

\$73,922,517

## NUMBER OF HOLDINGS

103

## PORTFOLIO TURNOVER

176.39%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

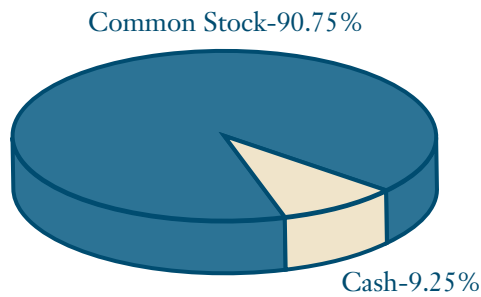
Financial Highlights

Schedule of  
Portfolio Investments

## RONALD C. OGNAR, CFA

- Joined Strong in 1993
- 31 years of investment experience
- B.S. from University of Illinois
- Chartered Financial Analyst

# GROWTH PORTFOLIO



highly valued growth stocks into less expensive market sectors. The sell-off has reduced the valuation disparity between sectors, especially for concept stocks lacking meaningful earnings. The S&P 500 fared much better than the NASDAQ mainly because investors shifted back into “Old Economy” stocks.

In the first quarter, technology, retailers, and oil services companies provided the strongest relative performance for the Fund. While we took profits in many of the most expensive technology stocks, we continued to focus on our favorite long-term core holdings such as Cisco, JDS Uniphase, Kohls, and Home Depot. In the second quarter, optical and networking technology companies as well as various health care related stocks provided the strongest relative performance.

We remain committed to our investments in the direct beneficiaries of the networked economy. The successful implementation of technology will lead the best companies to market share gains and superior returns on capital. The acceptance of the Internet as an important source of competitive advantage should continue to enhance the prospects of

For the first quarter, despite the late quarter sell-off, the NASDAQ Composite and the “New Economy” stocks outperformed the S&P 500 Index and the Dow Jones Industrial Average. Higher oil prices and higher interest rates moved investors to the highest revenue growth companies in anticipation of a slowing economy and an inevitable deceleration in the earnings of the “Old Economy” stocks. When valuations reached extreme levels for both groups of stocks, the playing field evened out modestly in the last weeks of the quarter with the DJIA and the S&P 500 rallying from oversold depths. The second quarter was characterized by severe market volatility, most notably in NASDAQ issues, combined with a rotation from

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
Juniper Networks, Inc.	4.79%
Cisco Systems, Inc.	4.36%
Kohl's Corp.	3.51%
Pfizer, Inc.	3.49%
SDL, Inc.	3.13%
JDS Uniphase Corp.	3.04%
E-Tek Dynamics, Inc.	2.17%
Corning, Inc.	2.04%
VERITAS Software Corp.	1.94%
PMC-Sierra, Inc.	1.71%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO‡
Computer Network	11.50%
Telecommunications – Equipment & Services	10.48%
Pharmaceutical	9.72%
Electronics – Semiconductors	9.41%
Computer Software – Mini & Micro	6.29%
Retail Stores	6.13%
Oil & Gas Producers	3.70%
Medical – Biotechnology	3.56%
Oil & Gas Services & Equipment	3.51%
Banking	2.58%

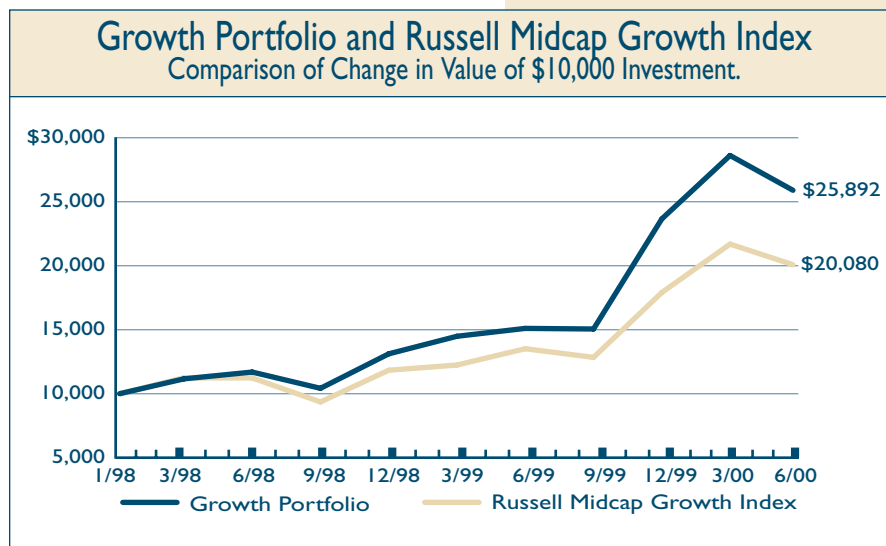
‡Represents market value of investments plus cash.



# GROWTH PORTFOLIO

companies engaged in e-commerce, wireless communications, bandwidth expansion, and software. In addition, the genomics revolution continues with several important milestones achieved so far this year. Although progress will be slow, we continue to focus on the enablers of genomic discovery and some of the leading companies in biotech research. Overall, we continue to like the secular healthcare demands of an aging population and the outlook for high quality pharmaceutical and drug store stocks.

With recent economic data pointing to more moderate growth trends, it is becoming increasingly likely that an end to the Fed's tightening phase is upon us. As investor attention shifts from Fed policy to the risk-reward profile of individual issues, it seems likely that the valuation disparity between technology stocks and "Old Economy" issues will continue to close. Although technology remains an attractive growth area, reasonably valued companies positioned to capitalize on the networked economy will likely gain ground on a relative basis. We are also watching specialty retail



stocks, which have again become attractive to us because we believe that the pressure put on these stocks by Fed tightening should ease during the next quarter. We will continue to focus on the well-managed growth companies that are pure plays in dynamic industries and are providing innovative products and services. As growth investors, our team is constantly on the lookout for investments exhibiting sustainable fundamental improvement in order to strive to consistently outperform the broader market averages.

## AVERAGE ANNUAL TOTAL RETURNS

	GROWTH	RUSSELL MIDCAP GROWTH INDEX
YTD	9.47%	12.15%
1 YEAR	71.45%	48.60%
INCEPTION	46.40%	32.18%

*Commencement of operations January 1, 1998. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Growth Portfolio (the "Portfolio") at its inception with a similar investment in the Russell Midcap Growth Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The Russell Midcap Growth Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

# GROWTH PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
Net asset value, beginning of period	\$ 23.38	\$ 13.11	\$ 10.00
<b>Income From Investment Operations</b>			
Net investment loss	(0.03)	(0.06)	(0.05)
Net gains and losses on securities (both realized and unrealized)	<u>2.40</u>	<u>10.50</u>	<u>3.16</u>
Total from investment operations	2.37	10.44	3.11
<b>Less Distributions to Shareholders</b>			
Dividends from net investment income			
Dividends in excess of net investment income			
Distributions from capital gains	(1.74)	(0.17)	
Distributions in excess of capital gains			
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	(1.74)	(0.17)	0.00
Net asset value, end of period	<u>\$ 24.01</u>	<u>\$ 23.38</u>	<u>\$ 13.11</u>
Total Return (A)	9.47%	80.36%	31.14%
Ratios to Average Net Assets: (B)			
Expenses	0.86%	0.96%	1.08%
Net investment income	(0.31%)	(0.54%)	(0.47%)
Portfolio Turnover Rate	176.39%	326.19%	283.36%
Net Assets, At End of Period	\$73,922,517	\$44,334,220	\$11,543,742

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

## GROWTH PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—89.51%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Banking—2.54%</b>			<b>Educational Services—0.32%</b>		
Citigroup, Inc.	16,000	\$ 964,000	Apollo Group, Inc.†	8,500	\$ 238,000
Golden West Financial Corp.	4,500	183,656	<b>Electronic Components—1.56%</b>		
Northern Trust Corp.	8,000	520,500	Celestica, Inc.†	4,500	223,313
State Street Corp.	2,000	212,125	Flextronics International, Ltd.†	2,700	185,456
		<u>1,880,281</u>	Xilinx, Inc.†	9,000	743,063
<b>Beverages—0.32%</b>					<u>1,151,832</u>
Pepsi Bottling Group, Inc.	8,000	<u>233,500</u>	<b>Electronics – Semiconductors—9.29%</b>		
<b>Broadcasting—0.84%</b>			Altera Corp.†	5,000	509,688
Univision Communications, Inc.†	6,000	<u>621,000</u>	Applied Materials, Inc.†	2,700	244,688
<b>Commercial Services—1.44%</b>			Applied Micro Circuits Corp.†	10,000	987,500
Concord EFS, Inc.†	9,500	247,000	Integrated Device Technology, Inc.†	8,500	508,938
Paychex, Inc.	19,500	819,000	Integrated Silicon Solution, Inc.†	11,000	418,000
		<u>1,066,000</u>	Micron Technology, Inc.†	4,000	352,250
<b>Computer Equipment &amp; Services—2.24%</b>			National Semiconductor Corp.†	5,500	312,125
CDW Computer Centers, Inc.†	5,000	312,500	PMC-Sierra, Inc.†	7,000	1,243,813
Comverse Technology, Inc.†	7,500	697,500	SDL, Inc.†	8,000	2,281,500
	15,000	<u>648,750</u>			<u>6,858,502</u>
		<u>1,658,750</u>	<b>Financial Services—1.44%</b>		
<b>Computer Network—11.34%</b>			Legg Mason, Inc.†	5,000	250,000
Brocade Communications Systems, Inc.†	1,700	311,923	Morgan Stanley Dean Witter & Co.	5,500	457,875
Cisco Systems, Inc.†	50,000	3,178,125	Paine Webber Group, Inc.	4,500	204,750
Juniper Networks, Inc.†	24,000	3,493,489	Waddell & Reed Financial, Inc.	4,500	147,656
Redback Networks, Inc.†	6,500	1,157,000			<u>1,060,281</u>
WebTrends Corp.†	6,200	239,863	<b>Healthcare—1.98%</b>		
		<u>8,380,400</u>	Cardinal Health, Inc.	11,100	821,400
<b>Computer Software – Mainframe—2.41%</b>			UnitedHealth Group, Inc.	7,500	643,125
BroadVision, Inc.†	11,000	558,938			<u>1,464,525</u>
Oracle Corp.†	14,500	1,218,906	<b>Human Resources—0.97%</b>		
		<u>1,777,844</u>	Robert Half International, Inc.†	25,200	718,200
<b>Computer Software – Mini &amp; Micro—6.20%</b>			<b>Internet Services—1.40%</b>		
Check Point Software Technologies, Inc.†	3,000	635,250	Exodus Communications, Inc.†	4,000	184,250
Macromedia, Inc.†	2,800	270,725	VeriSign, Inc.†	4,800	847,200
Mercury Interactive Corp.†	4,500	435,375			<u>1,031,450</u>
Portal Software, Inc.†	4,200	268,275	<b>Investment Companies—0.19%</b>		
Siebel Systems, Inc.†	5,800	948,663	Federated Investors, Inc.†	4,000	140,250
Sun Microsystems, Inc.†	5,000	454,688	<b>Manufacturing—2.01%</b>		
VERITAS Software Corp.†	12,500	1,412,695	Corning, Inc.	5,500	1,484,313
Vignette Corp.†	3,000	156,047			
		<u>4,581,718</u>			

†Non-income producing security.

See notes to financial statements.

## GROWTH PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Medical – Biotechnology–3.50%</b>			<b>Pharmaceutical—Continued</b>		
Amgen, Inc.†	9,000	\$ 632,250	Pfizer, Inc.	53,000	\$ 2,544,000
Genentech, Inc.†	2,400	412,800	Sepracor, Inc.†	4,700	566,938
Human Genome Sciences, Inc.†	5,400	720,225	Teva Pharmaceutical Industries, Ltd.	7,000	388,063
Immunex Corp.†	2,000	98,875	Titan Pharmaceuticals, Inc.†	6,000	258,000
Millennium Pharmaceuticals, Inc.†	6,500	727,188	Watson Pharmaceuticals, Inc.†	10,400	559,000
		<u>2,591,338</u>			<u>7,081,552</u>
<b>Medical Products–1.20%</b>			<b>Real Estate–0.63%</b>		
Medtronic, Inc.	5,600	278,950	Starwood Hotels & Resorts		
Stryker Corp.†	13,800	603,750	Worldwide, Inc.	14,300	462,069
		<u>882,700</u>	<b>Retail Stores–6.04%</b>		
<b>Medical Supplies–0.83%</b>			Best Buy Co., Inc.†	3,700	234,025
Pe Corp–Pe Biosystems Group	9,300	612,638	Dollar Tree Stores, Inc.†	11,250	445,078
<b>Oil &amp; Gas – Distribution &amp; Marketing–1.68%</b>			Home Depot, Inc., The	15,000	749,063
Enron Corp.	10,300	664,350	Kohl's Corp.†	46,000	2,558,750
Tidewater, Inc.	16,000	576,000	Walgreen Co.	15,000	482,813
		<u>1,240,350</u>			<u>4,469,729</u>
<b>Oil &amp; Gas – Integrated–0.45%</b>			<b>Telecommunications – Equipment &amp; Services–10.33%</b>		
Nabors Industries, Inc.†	8,000	332,500	ADC Telecommunications, Inc.†	12,000	1,006,500
<b>Oil &amp; Gas Producers–3.65%</b>			Aeroflex, Inc.†	5,500	273,281
Anadarko Petroleum Corp.	12,000	591,750	Andrew Corp.†	9,000	302,063
Apache Corp.	10,000	588,125	Digital Microwave Corp.†	10,500	400,313
Coastal Corp., The	13,600	827,900	E-Tek Dynamics, Inc.†	6,000	1,582,875
Devon Energy Corp.	4,000	224,750	JDS Uniphase Corp.†	18,500	2,217,688
Noble Affiliates, Inc.	7,000	260,750	Nokia Oyj, SA, ADR	19,100	953,806
Noble Drilling Corp.†	5,000	205,938	Nortel Networks Corp.	6,200	423,150
		<u>2,699,213</u>	Scientific-Atlanta, Inc.	3,500	260,750
<b>Oil &amp; Gas Services &amp; Equipment–3.45%</b>			Vitesse Semiconductor, Inc.†	3,000	220,688
BJ Services Co.†	8,000	500,000			<u>7,641,114</u>
Dynegy, Inc.	6,000	409,875	<b>Telecommunications – Wireless–1.25%</b>		
ENSCO International, Inc.	17,500	626,719	Sprint Corp. – PCS Group†	11,000	654,500
Key Energy Services, Inc.†	40,000	385,000	VoiceStream Wireless Corp.†	2,300	267,483
R & B Falcon Corp.†	15,500	365,219			<u>921,983</u>
Smith International, Inc.†	3,700	269,406	<b>Telecommunications – Wireline–0.42%</b>		
		<u>2,556,219</u>	Copper Mountain Networks, Inc.†	3,500	308,438
<b>Pharmaceutical–9.59%</b>			<b>TOTAL COMMON STOCK</b>		
Allergan, Inc.	6,700	499,150	(Cost \$53,218,752)		<u>66,146,689</u>
ALZA Corp.†	13,500	798,188	<b>TOTAL INVESTMENTS</b>		
Celgene Corp.†	3,500	206,063	(Cost \$53,218,752)	89.51%	66,146,689
Forest Laboratories, Inc.†	6,500	656,500	Other assets, less liabilities	<u>10.49</u>	<u>7,775,828</u>
IVAX Corp.†	5,500	228,250			
MedImmune, Inc.†	5,100	377,400			
			<b>TOTAL NET ASSETS</b>		
				<u>100.00%</u>	<u>\$ 73,922,517</u>

†Non-income producing security.

See notes to financial statements.

# S&P 500 INDEX PORTFOLIO

*“Economic figures have begun to suggest that the economy might be approaching the Fed’s desired ‘soft landing’, although it is too early to be certain.”*

—Barclays Global Fund Advisors, Portfolio Manager—

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## IN THIS SECTION

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Portfolio Facts

Portfolio  
Composition

Financial Highlights

Schedule of  
Portfolio Investments

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### INCEPTION DATE

May 1, 2000

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### FUND MANAGER

Barclays Global Fund Advisors

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### INVESTMENT OBJECTIVE AND STRATEGY

To approximate, before fees and expenses, the total rate of return of common stocks represented by the S&P 500 Index.

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### NET ASSETS AS OF 6/30/00

\$180,253,814

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### NUMBER OF HOLDINGS

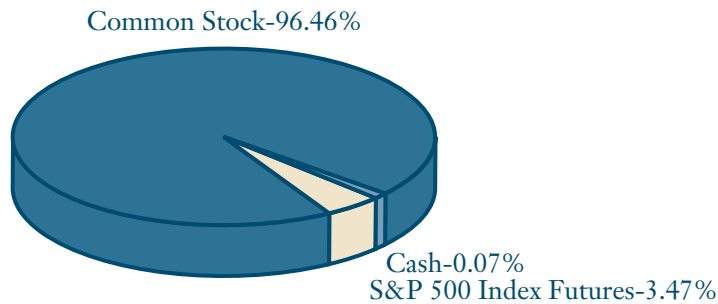
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### PORTFOLIO TURNOVER

2.68%

# S&P 500 INDEX PORTFOLIO



the market during April. The retreat from “new economy” to “old economy” stocks that had begun earlier in the year continued into May. Telecommunications and technology shares suffered, while more traditional sectors, such as financial and utilities, fared well. On May 16, a much-anticipated 0.50% interest hike by the Federal Reserve, accompanied by a suggestion that future rate increases were likely, spurred additional volatility in the markets and sent stock prices lower. However, encouraging reports of lower existing home sales and durable goods orders in April — down 6.2% and 6.4%, respectively — showed some signs of a slowing economy. The S&P 500 Index was buoyed by the news, but still finished the month on a negative note, declining 2.05%.

Thanks to positive economic numbers released in June, pointing to a slower

May and June witnessed continued volatility in the equity markets amid growing inflationary fears. The S&P 500 Index, which has endured price declines and volatility for much of the year, declined further in May before resuming its uptrend in June. In a reversal of the first quarter’s trends, inflationary concerns drove investors back to “old economy” stocks.

The month of May experienced the inflationary concerns and market volatility that had become common in

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
General Electric Co.	4.19%
Intel Corp.	3.58%
Cisco Systems, Inc.	3.54%
Microsoft Corp.	3.37%
Pfizer, Inc.	2.42%
Exxon Mobil Corp.	2.19%
Wal-Mart Stores, Inc.	2.05%
Oracle Corp.	1.91%
Citigroup, Inc.	1.63%
Nortel Networks Corp.	1.62%

TOP TEN COUNTRIES	PERCENT OF PORTFOLIO‡
Pharmaceutical	18.31%
Electronics – Semiconductors	15.84%
Computer Equipment & Services	15.25%
Computer Software – Mini & Micro	13.78%
Retail Stores	13.49%
Banking	12.02%
Financial Services	11.69%
Diversified Operations	10.41%
Oil & Gas – Integrated	10.32%
Telecommunications – Equipment & Services	10.16%

‡Represents market value of investments plus cash.

# S&P 500 INDEX PORTFOLIO

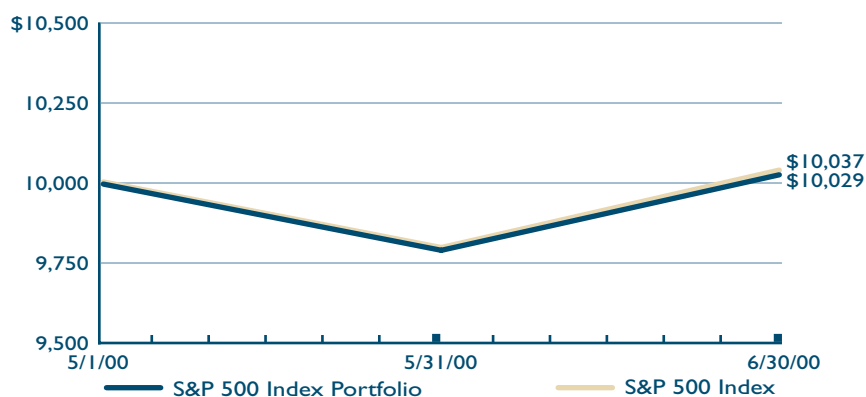
economy, the Federal Reserve Board left rates unchanged. The markets responded to the benign interest-rate environment by rebounding. However, because this news was particularly favorable to “new economy” stocks, the strongest rally was seen in Nasdaq shares, while the S&P 500 Index recovered 2.47% for the month. Economic figures have begun to suggest that the economy might be approaching the Fed’s desired “soft landing”, although it is too early to be certain.

The technology sector’s meltdown in April and May led many investors to value stocks, which strongly outperformed growth during the month of May. In June, however, renewed confidence in the economy brought investors back to growth stocks, which outpaced value.

Barclays Global Investors (BGI) is the world’s largest institutional manager and

the world’s largest provider of structured investment strategies such as indexing, tactical asset allocation and quantitative active strategies. With more than \$783 billion in assets under management for almost 1,600 clients in 36 countries, BGI manages over 1,500 funds, which track over 200 indexes around the world.

**S&P 500 Index Portfolio and the S&P 500 Index**  
Comparison of Change in Value of \$10,000 Investment.



## AVERAGE ANNUAL TOTAL RETURNS

	S&P 500 INDEX PORTFOLIO	S&P 500 INDEX
YTD	0.29%	0.36%
INCEPTION	0.29%	0.36%

*Commencement of operations May 1, 2000. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the S&P 500 Index Portfolio (the “Portfolio”) at its inception with a similar investment in the S&P 500 Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The S&P 500 Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*



# S&P 500 INDEX PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Period from May 1, 2000 to June 30, 2000(A)
Net asset value, beginning of period	\$ 10.00
<b>Income From Investment Operations</b>	
Net investment income	0.02
Net gains and losses on securities (both realized and unrealized)	0.01
Total from investment operations	0.03
<b>Less Distributions to Shareholders</b>	
Dividends from net investment income	
Dividends in excess of net investment income	
Distributions from capital gains	
Distributions in excess of capital gains	
Returns of capital	
Total distributions	0.00
Net asset value, end of period	<u>\$ 10.03</u>
Total Return (B)	0.29%
Ratios to Average Net Assets: (C)	
Expenses	0.28%
Net investment income	0.36%
Portfolio Turnover Rate	2.68%
Net Assets, At End of Period	\$180,253,814

(A) Per share data calculated from the initial offering date, May 1, 2000, for sale to Jefferson Pilot Financial separate accounts.

(B) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(C) Jefferson Pilot Investment Advisory Corp. ("JPIA") has entered into an Expense Reimbursement Plan with the Portfolio. JPIA has agreed to maintain the operating expenses (excluding interest, taxes, brokerage commissions or extraordinary expenses) of the Portfolio at an annual rate of 0.28% of average daily net assets. Had these fees not been reimbursed, the expense ratio would have been 0.37% and the net investment income ratio would have been 0.27% for the period from May 1, 2000 through June 30, 2000. Per share data and ratios are calculated on an annualized basis.

## S&amp;P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK 96.30%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Advertising—0.25%</b>			<b>Automotive Parts &amp; Equipment—Continued</b>		
Interpublic Group of Companies, Inc., The	4,186	\$ 179,998	Goodyear Tire & Rubber Co., The	2,200	\$ 44,000
Omnicom Group, Inc.	2,464	219,450	Johnson Controls, Inc.	1,200	61,575
Young & Rubicam, Inc.	1,000	57,188	TRW, Inc.	1,700	73,738
		<u>456,636</u>	Visteon Corp.†	2,189	26,547
					<u>442,965</u>
<b>Aerospace &amp; Defense—0.99%</b>			<b>Automotive Truck Rental—0.01%</b>		
B.F. Goodrich Co., The	1,500	51,094	Ryder System, Inc.	870	16,476
Boeing Co., The	12,586	526,252			
General Dynamics Corp.	2,800	146,300	<b>Banking—4.86%</b>		
Honeywell International, Inc.	11,050	372,247	AmSouth Bancorporation	5,400	85,050
Lockheed Martin Corp.	5,552	137,759	Bank of New York Co., Inc., The	10,232	475,788
Northrop Grumman Corp.	970	64,263	Bank One Corp.	15,912	422,663
Raytheon Co., Class B	4,700	90,475	Bank of America Corp.	22,994	988,742
United Technologies Corp.	6,528	384,336	Charter One Financial, Inc.	2,910	66,930
		<u>1,772,726</u>	Chase Manhattan Corp., The	17,160	790,433
			Citigroup, Inc.	46,822	2,821,026
<b>Agricultural Operations—0.05%</b>			Comerica, Inc.	2,170	97,379
Archer-Daniels-Midland Co.	8,400	82,425	First Union Corp.	13,604	337,549
			Golden West Financial Corp.	2,192	89,461
<b>Airlines—0.17%</b>			Huntington Bancshares, Inc.	3,100	49,019
AMR Corp.†	2,100	55,519	KeyCorp	6,032	106,314
Delta Air Lines, Inc.	1,698	85,855	Northern Trust Corp.	3,084	200,653
Southwest Airlines Co.	6,884	130,366	Old Kent Financial Corp.	1,869	49,996
US Airways Group, Inc.†	924	36,036	PNC Financial Services Group	4,028	188,813
		<u>307,776</u>	Providian Financial Corp.	1,980	178,200
			Southtrust Corp.	2,350	53,169
<b>Appliances—0.05%</b>			State Street Corp.	2,232	236,732
Maytag Corp.	1,087	40,083	Summit Bancorp	2,450	60,331
Whirlpool Corp.	1,000	46,625	SunTrust Banks, Inc.	4,196	191,705
		<u>86,708</u>	U.S. Bancorp	10,430	200,778
			Union Planters Corp.	1,900	53,081
<b>Automotive Manufacturing—0.67%</b>			Wachovia Corp.	2,800	151,900
Ford Motor Co.	16,722	719,046	Wells Fargo & Co.	22,354	866,218
General Motors Corp.	7,422	430,940			<u>8,761,930</u>
Navistar International Corp.†	858	26,652			
PACCAR, Inc.	1,062	42,148			
		<u>1,218,786</u>			
			<b>Beverages—2.13%</b>		
<b>Automotive Parts &amp; Equipment—0.23%</b>			Adolph Coors Co., Class B	500	30,250
Cooper Tire & Rubber Co.	1,100	12,238	Anheuser-Busch Companies, Inc.	6,268	468,141
Cummins Engine Co., Inc.	600	16,350	Brown-Forman Corp., Class B	950	51,063
Dana Corp.	2,113	44,769	Coca-Cola Enterprises, Inc.	5,834	95,167
Delphi Automotive Systems Corp.	7,811	113,748	Coca-Cola Co., The	34,340	1,972,404
Genuine Parts Co.	2,500	50,000	PepsiCo, Inc.	19,994	888,483
			Seagram Co., Ltd., The	6,040	350,320
					<u>3,855,828</u>

†Non-income producing security.

See notes to financial statements.

## S&amp;P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Broadcasting—0.48%</b>			<b>Computer Equipment &amp; Services—6.19%</b>		
Clear Channel Communications, Inc.†	4,702	\$ 352,650	Apple Computer, Inc.†	4,516	\$ 236,526
Comcast Corp.†	12,454	504,387	Automatic Data Processing, Inc.	8,702	466,101
		<u>857,037</u>	Ceridian Corp.†	2,000	48,125
<b>Building Construction—0.03%</b>			Compaq Computer Corp.	23,558	602,201
Centex Corp.	800	18,800	Computer Sciences Corp.†	2,322	173,424
Kaufman & Broad Home Corp.	700	13,869	Comverse Technology, Inc.†	2,120	197,160
Pulte Corp.	600	12,975	Dell Computer Corp.†	35,728	1,761,837
		<u>45,644</u>	Electronic Data Systems Corp.	6,462	266,558
<b>Building Materials—0.05%</b>			EMC Corp.†	30,106	2,316,280
Armstrong Holdings, Inc.	600	9,188	First Data Corp.	5,720	283,855
Louisiana-Pacific Corp.	1,500	16,313	Hewlett-Packard Co.	13,876	1,732,766
Owens Corning	800	7,400	International Business Machines Corp.	24,598	2,695,018
Vulcan Materials Co.	1,400	59,763	Lexmark International, Inc.†	1,780	119,705
		<u>92,664</u>	Parametric Technology Corp.†	3,800	41,800
<b>Chemicals—0.94%</b>			Seagate Technology, Inc.†	3,152	173,360
Air Products & Chemicals, Inc.	3,181	98,015			<u>11,114,716</u>
Ashland, Inc.	1,000	35,063	<b>Computer Information Systems—0.07%</b>		
Dow Chemical Co., The	9,380	283,159	NCR Corp.†	1,320	51,398
E.I. du Pont de Nemours & Co.	14,530	635,688	Unisys Corp.†	4,350	63,347
Eastman Chemical Co.	1,064	50,806			<u>114,745</u>
Ecolab, Inc.	1,800	70,313	<b>Computer Network—3.83%</b>		
Engelhard Corp.	1,800	30,713	3Com Corp.†	4,868	280,519
Great Lakes Chemical Corp.	754	23,751	Adaptec, Inc.†	1,400	31,850
Hercules, Inc.	1,500	21,094	Cabletron Systems, Inc.†	2,500	63,125
PPG Industries, Inc.	2,400	106,350	Cisco Systems, Inc.†	96,514	6,134,671
Praxair, Inc.	2,200	82,363	Network Appliance, Inc.†	4,230	340,515
Rohm & Haas Co.	3,018	104,121	Novell, Inc.†	4,600	42,550
Sigma-Aldrich Corp.	1,182	34,574			<u>6,893,230</u>
Union Carbide Corp.	1,870	92,565	<b>Computer Software – Mainframe—1.94%</b>		
W.R. Grace & Co.†	1,000	12,125	BMC Software, Inc.†	3,400	124,047
		<u>1,680,700</u>	Compuware Corp.†	5,000	51,875
<b>Commercial Services—0.33%</b>			Oracle Corp.†	39,382	3,310,549
Cendant Corp.†	10,004	140,056			<u>3,486,471</u>
Convergys Corp.†	2,130	110,494	<b>Computer Software – Mini &amp; Micro—5.58%</b>		
Dun & Bradstreet Corp., The	2,243	64,206	Adobe Systems, Inc.	1,660	215,800
McDermott International, Inc.	800	7,050	Autodesk, Inc.	800	27,750
Paychex, Inc.	5,151	216,342	Citrix Systems, Inc.†	2,568	48,632
Quintiles Transnational Corp.†	1,600	22,600	Computer Associates International, Inc.	8,164	417,895
W.W. Grainger, Inc.	1,300	40,056	Gateway, Inc.†	4,464	253,332
		<u>600,804</u>	Mercury Interactive Corp.†	1,100	106,425
			Microsoft Corp.†	73,014	5,841,120

†Non-income producing security.

See notes to financial statements.

## S&amp;P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Computer Software – Mini &amp; Micro—Continued</b>			<b>Electronics—0.43%</b>		
PeopleSoft, Inc.†	3,800	\$ 63,650	Agilent Technologies, Inc.†	6,271	\$ 462,486
Siebel Systems, Inc.†	2,768	452,741	Molex, Inc.	2,722	130,996
Sun Microsystems, Inc.†	22,000	2,000,625	Teradyne, Inc.†	2,390	175,665
VERITAS Software Corp.†	5,420	612,545			769,147
		10,040,515	<b>Electronics – Semiconductors—6.42%</b>		
<b>Consulting Services—0.05%</b>			Advanced Micro Devices, Inc.†	2,125	164,156
Sapient Corp.†	816	87,261	Altera Corp.†	2,762	281,551
<b>Cosmetics &amp; Personal Care—0.91%</b>			Applied Materials, Inc.†	11,204	1,015,363
Alberto-Culver Co., Class B	772	23,594	Conexant Systems, Inc.†	3,020	146,848
Avon Products, Inc.	3,294	146,583	Intel Corp.	46,466	6,211,923
Colgate-Palmolive Co.	8,000	479,000	KLA-Tencor Corp.†	2,580	151,091
Gillette Co., The	14,484	506,035	LSI Logic Corp.†	4,258	230,464
International Flavors & Fragrances, Inc.	1,426	43,047	Micron Technology, Inc.†	7,698	677,905
Kimberly-Clark Corp.	7,708	442,247	Motorola, Inc.	29,862	867,864
		1,640,506	National Semiconductor Corp.†	2,448	138,924
<b>Diversified Operations—4.21%</b>			Novellus Systems, Inc.†	1,810	102,378
FMC Corp.†	420	24,360	Texas Instruments, Inc.	22,704	1,559,481
Fortune Brands, Inc.	2,196	50,645			11,547,948
General Electric Co.	137,268	7,275,155	<b>Engineering &amp; Construction—0.02%</b>		
Illinois Tool Works, Inc.	4,200	239,400	Fluor Corp.	1,059	33,491
		7,589,560	<b>Entertainment &amp; Leisure—0.74%</b>		
<b>Electrical Equipment—0.46%</b>			Brunswick Corp.	1,218	20,173
AES Corp., The†	5,914	269,826	Carnival Corp.	8,386	163,527
American Power Conversion Corp.†	2,680	109,378	Harrah's Entertainment, Inc.†	1,690	35,384
Emerson Electric Co.	5,920	357,420	Walt Disney Co., The	28,828	1,118,887
PerkinElmer, Inc.	680	44,965			1,337,971
Thermo Electron Corp.†	2,162	45,537	<b>Environmental Controls—0.10%</b>		
		827,126	Allied Waste Industries, Inc.†	2,620	26,200
<b>Electronic Components—1.01%</b>			Waste Management, Inc.	8,616	163,704
Analog Devices, Inc.†	4,908	373,008			189,904
Linear Technology Corp.	4,316	275,954	<b>Financial Services—4.76%</b>		
Maxim Integrated Products, Inc.†	3,922	266,451	American Express Co.	18,535	966,137
Sanmina Corp.†	2,058	175,959	Associates First Capital Corp.	10,106	225,490
Sollectron Corp.†	8,272	346,390	BB&T Corp.	4,800	114,600
Thomas & Betts Corp.	800	15,300	Bear Stearns Companies, Inc., The	1,534	63,853
Xilinx, Inc.†	4,458	368,064	Capital One Financial Corp.	2,716	121,202
		1,821,126	Charles Schwab Corp., The	18,892	635,244
			Countrywide Credit Industries, Inc.	1,600	48,500

†Non-income producing security.

See notes to financial statements.

# S&P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Financial Services—Continued</b>			<b>Food Service &amp; Restaurants—0.59%</b>		
Deluxe Corp.	1,002	\$ 23,610	ConAgra, Inc.	6,800	\$ 129,625
Equifax, Inc.	1,958	51,398	Darden Restaurants, Inc.	1,716	27,885
Freddie Mac	9,644	390,582	McDonald's Corp.	18,540	610,661
Fannie Mae	13,976	729,373	SYSCO Corp.	4,610	194,196
Fifth Third Bancorp	4,300	271,975	Tricon Global Restaurants, Inc.†	2,046	57,800
Firstar Corp.	13,458	283,459	Wendy's International, Inc.	1,578	28,108
FleetBoston Financial Corp.	12,504	425,136			<u>1,048,275</u>
Franklin Resources, Inc.	3,378	102,607	<b>Forest Products &amp; Paper—0.36%</b>		
H&R Block, Inc.	1,364	44,160	Boise Cascade Corp.	800	20,700
Household International, Inc.	6,560	272,650	Fort James Corp.	2,854	65,999
J.P. Morgan & Co., Inc.	2,252	248,002	Georgia-Pacific Group	2,400	63,000
Lehman Brothers Holdings, Inc.	1,680	158,865	International Paper Co.	6,703	199,829
MBIA, Inc.	1,364	65,728	Mead Corp., The	1,400	35,350
MBNA Corp.	11,124	301,739	Potlatch Corp.	400	13,250
Mellon Financial Corp.	6,814	248,285	Temple-Inland, Inc.	726	30,492
Merrill Lynch & Co., Inc.	5,382	618,930	Westvaco Corp.	1,394	34,589
MGIC Investment Corp.	1,468	66,794	Weyerhaeuser Co.	3,232	138,976
Morgan Stanley Dean Witter & Co.	15,704	1,307,358	Willamette Industries, Inc.	1,536	41,856
National City Corp.	8,410	143,496			<u>644,041</u>
Paine Webber Group, Inc.	2,020	91,910	<b>Healthcare—0.65%</b>		
Regions Financial Corp.	3,060	60,818	Bausch & Lomb, Inc.	736	56,948
SLM Holding Corp.	2,172	81,314	Cardinal Health, Inc.	3,820	282,680
Synovus Financial Corp.	3,918	69,055	HCA-The Healthcare Corp.	7,736	234,981
T. Rowe Price Associates, Inc.	1,675	71,188	HEALTHSOUTH Corp.†	5,400	38,813
Washington Mutual, Inc.	7,600	219,450	Humana, Inc.†	2,300	11,213
		<u>8,522,908</u>	IMS Health, Inc.	4,123	74,214
<b>Food Products—1.01%</b>			Manor Care, Inc.†	1,400	9,800
Bestfoods	3,808	263,704	McKesson HBOC, Inc.	3,908	81,824
Campbell Soup Co.	5,862	170,731	Tenet Healthcare Corp.	4,338	117,126
General Mills, Inc.	4,044	154,683	UnitedHealth Group, Inc.	2,252	193,109
H.J. Heinz Co.	4,886	213,763	WellPoint Health Networks, Inc.†	860	62,296
Hershey Foods Corp.	1,900	92,506			<u>1,163,004</u>
Kellogg Co.	5,600	166,600	<b>Holding Companies—0.05%</b>		
Nabisco Group Holdings Corp.	4,528	117,445	Loews Corp.	1,368	82,080
Quaker Oats Co., The	1,816	136,427	<b>Home Furnishings—0.13%</b>		
Ralston-Ralston Purina Group	4,256	84,854	Leggett & Platt, Inc.	2,725	44,963
Sara Lee Corp.	12,064	232,986	Masco Corp.	6,200	111,988
SUPERVALU, Inc.	1,800	34,313	Newell Rubbermaid, Inc.	3,698	95,224
Wm. Wrigley Jr. Co.	1,582	126,857			<u>252,175</u>
		<u>1,794,869</u>			

†Non-income producing security.

See notes to financial statements.

# S&P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Household Products—0.85%</b>			<b>Manufacturing—2.01%</b>		
Clorox Co., The	3,256	\$ 145,910	Cooper Industries, Inc.	1,300	\$ 42,331
Procter & Gamble Co., The	18,146	1,038,859	Corning, Inc.	3,826	1,032,542
Unilever, NV	7,930	340,990	Crane Co.	840	20,423
		<u>1,525,759</u>	Danaher Corp.	1,966	97,194
<b>Insurance—2.70%</b>			Deere & Co.	3,246	120,102
Aetna, Inc.	1,954	125,422	Dover Corp.	2,816	114,224
AFLAC, Inc.	3,700	169,969	Eaton Corp.	1,000	67,000
Allstate Corp., The	10,331	229,865	Harley-Davidson, Inc.	4,200	161,700
American General Corp.	3,450	210,450	ITT Industries, Inc.	1,250	37,969
American International Group, Inc.	21,386	2,512,855	Millipore Corp.	638	48,089
Aon Corp.	3,550	110,272	Minnesota Mining & Manufacturing Co.	5,492	453,090
Chubb Corp., The	2,426	149,199	National Service Industries, Inc.	600	11,700
CIGNA Corp.	2,259	211,217	Pall Corp.	1,700	31,450
Cincinnati Financial Corp.	2,230	70,106	Parker-Hannifin Corp.	1,570	53,773
Conseco, Inc.	4,600	44,850	Rockwell International Corp.	2,600	81,900
Hartford Financial Services			Textron, Inc.	2,000	108,625
Group, Inc., The	2,981	166,750	Timken Co., The	800	14,900
Jefferson-Pilot Corp.	1,430	80,706	Tyco International, Ltd.	23,420	1,109,523
Lincoln National Corp.	2,660	96,093			<u>3,606,535</u>
Marsh & McLennan Companies, Inc.	3,740	390,596	<b>Medical – Biotechnology—1.14%</b>		
Progressive Corp., The	1,012	74,888	Amgen, Inc.†	14,250	1,001,063
SAFECO Corp.	1,800	35,775	Biogen, Inc.†	2,060	132,870
St. Paul Companies, Inc., The	2,942	100,396	Pharmacia Corp.	17,612	910,320
Torchmark Corp.	1,800	44,438			<u>2,044,253</u>
UnumProvident Corp.	3,336	66,929	<b>Medical Products—2.06%</b>		
		<u>4,890,776</u>	Baxter International, Inc.	4,028	283,219
<b>Internet Services—1.45%</b>			Becton, Dickinson and Co.	3,500	100,406
America Online, Inc.†	31,876	1,681,459	Biomet, Inc.	1,641	63,076
Yahoo!, Inc.†	7,538	933,770	Boston Scientific Corp.†	5,656	124,079
		<u>2,615,229</u>	C. R. Bard, Inc.	700	33,688
<b>Lodging—0.10%</b>			Guidant Corp.†	4,252	210,474
Hilton Hotels Corp.	5,100	47,813	Johnson & Johnson	19,298	1,965,984
Marriott International, Inc.	3,324	119,872	Mallinckrodt, Inc.	932	40,484
		<u>167,685</u>	Medtronic, Inc.	16,606	827,186
<b>Machinery—0.21%</b>			St. Jude Medical, Inc.†	1,162	53,307
Black & Decker Corp., The	1,200	47,175			<u>3,701,903</u>
Briggs & Stratton Corp.	300	10,275	<b>Medical Supplies—0.11%</b>		
Caterpillar, Inc.	4,836	163,820	Pe Corp-Pe Biosystems Group	2,880	189,720
Ingersoll-Rand Co.	2,246	90,402			
Snap-on, Inc.	800	21,300			
Stanley Works, The	1,200	28,500			
		<u>361,472</u>			

†Non-income producing security.

See notes to financial statements.



## S&amp;P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Mining &amp; Metals – Ferrous &amp; Nonferrous–0.33%</b>			<b>Oil &amp; Gas – Integrated–4.18%</b>		
Alcan Aluminium, Ltd.	3,036	\$ 94,116	Amerada Hess Corp.	1,270	\$ 78,423
Alcoa, Inc.	11,988	347,652	Chevron Corp.	9,046	767,214
Allegheny Technologies, Inc.	1,154	20,772	Conoco, Inc., Class B	8,662	212,760
Bethlehem Steel Corp.†	1,700	6,056	Exxon Mobil Corp.	48,300	3,791,550
Inco, Ltd.†	2,520	38,745	Occidental Petroleum Corp.	5,150	108,472
Nucor Corp.	1,180	39,161	Phillips Petroleum Co.	3,522	178,521
Phelps Dodge Corp.	1,092	40,609	Royal Dutch Petroleum Co., ADR	29,752	1,831,608
USX-U.S. Steel Group	1,250	23,203	Sunoco, Inc.	1,228	36,149
Worthington Industries, Inc.	1,200	12,600	Texaco, Inc.	7,658	407,789
		<u>622,914</u>	USX-Marathon Group	4,300	107,769
					<u>7,520,255</u>
<b>Mining &amp; Metals – Precious–0.13%</b>			<b>Oil &amp; Gas Producers–0.36%</b>		
Barrick Gold Corp.	5,500	100,031	Anadarko Petroleum Corp.	1,776	87,579
Freeport-McMoRan Copper & Gold, Inc.†	2,200	20,350	Apache Corp.	1,578	92,806
Homestake Mining Co.	3,613	24,839	Coastal Corp., The	2,968	180,677
Newmont Mining Corp.	2,350	50,819	Kerr-McGee Corp.	1,300	76,619
Placer Dome, Inc.	4,600	43,988	Rowan Companies, Inc.†	1,302	39,548
		<u>240,027</u>	Union Pacific Resources Group, Inc.	3,496	76,912
			Unocal Corp.	3,369	111,598
					<u>665,739</u>
<b>Multimedia–1.77%</b>			<b>Oil &amp; Gas Services &amp; Equipment–0.66%</b>		
Gannett Co., Inc.	3,698	221,187	Baker Hughes, Inc.	4,600	147,200
McGraw-Hill Cos., Inc., The	2,698	145,692	Halliburton Co.	6,170	291,147
Time Warner, Inc.	18,256	1,387,456	Schlumberger, Ltd.	7,896	589,239
Viacom, Inc., Class B†	21,159	1,442,779	Transocean Sedco Forex, Inc.	2,920	156,038
		<u>3,197,114</u>			<u>1,183,624</u>
<b>Office Equipment–0.28%</b>			<b>Packaging &amp; Containers–0.09%</b>		
Avery Dennison Corp.	1,556	104,447	Ball Corp.	400	12,875
Pitney Bowes, Inc.	3,576	143,040	Bemis Co., Inc.	736	24,748
Tektronix, Inc.	668	49,432	Crown Cork & Seal Co., Inc.	1,776	26,640
Xerox Corp.	9,244	191,813	Owens-Illinois, Inc.†	2,000	23,375
		<u>488,732</u>	Pactiv Corp.†	2,450	19,294
			Sealed Air Corp.†	1,170	61,279
			Tupperware Corp.	800	17,600
					<u>185,811</u>
<b>Oil &amp; Gas – Distribution &amp; Marketing–0.77%</b>			<b>Pharmaceutical–7.41%</b>		
Burlington Resources, Inc.	3,000	114,750	Abbott Laboratories	21,498	958,005
Columbia Energy Group	1,118	73,369	Allergan, Inc.	1,798	133,951
El Paso Energy Corp.	3,200	163,000	ALZA Corp.†	1,424	84,194
Enron Corp.	10,156	655,062	American Home Products Corp.	18,095	1,063,081
NICOR, Inc.	644	21,011	Bristol-Myers Squibb Co.	27,368	1,594,186
ONEOK, Inc.	400	10,375			
Sempra Energy	2,800	47,600			
Tosco Corp.	2,004	56,738			
Williams Companies, Inc., The	6,128	255,461			
		<u>1,397,366</u>			

†Non-income producing security.

See notes to financial statements.



## S&amp;P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Pharmaceutical—Continued</b>			<b>Retail Stores—Continued</b>		
Eli Lilly & Co.	15,670	\$ 1,565,041	J.C. Penney Co., Inc.	3,600	\$ 66,375
MedImmune, Inc.†	2,894	214,156	Kmart Corp.†	6,700	45,644
Merck & Co., Inc.	31,904	2,444,644	Kohl's Corp.†	4,526	251,759
Pfizer, Inc.	87,336	4,192,104	Kroger Co., The†	11,584	255,572
Schering-Plough Corp.	20,314	1,025,857	Limited, Inc., The	6,000	129,750
Watson Pharmaceuticals, Inc.†	1,340	72,025	Longs Drug Stores Corp.	500	10,875
		<u>13,347,244</u>	Lowe's Companies, Inc.	5,300	217,631
<b>Photo Equipment—0.15%</b>			May Department Stores Co., The	4,650	111,600
Eastman Kodak Co.	4,298	255,731	Nordstrom, Inc.	1,900	45,838
Polaroid Corp.	600	10,838	Office Depot, Inc.†	4,386	27,413
		<u>266,569</u>	Rite Aid Corp.	3,700	24,281
<b>Publishing &amp; Printing—0.28%</b>			Safeway, Inc.†	6,886	310,731
American Greetings Corp., Class A	894	16,986	Sears, Roebuck & Co.	4,891	159,569
Dow Jones & Co., Inc.	1,220	89,365	Sherwin-Williams Co., The	2,300	48,731
Harcourt General, Inc.	994	54,049	Staples, Inc.†	6,720	103,320
Knight-Ridder, Inc.	1,078	57,336	Starbucks Corp.†	2,560	97,760
Meredith Corp.	700	23,625	RadioShack Corp.	2,590	122,701
New York Times Co., The	2,358	93,141	Target Corp.	6,326	366,908
R. R. Donnelley & Sons Co.	1,690	38,131	Tiffany & Co.	1,006	67,905
Tribune Co.	4,278	149,730	TJX Companies, Inc., The	4,162	78,038
		<u>522,363</u>	Toys "R" Us, Inc.†	3,000	43,688
<b>Railroad—0.12%</b>			Walgreen Co.	13,984	450,110
Burlington Northern Sante Fe Corp.	5,942	136,295	Wal-Mart Stores, Inc.	61,840	3,563,530
Norfolk Southern Corp.	5,315	79,061	Winn-Dixie Stores, Inc.	2,000	28,625
		<u>215,356</u>			<u>9,832,374</u>
<b>Retail Stores—5.46%</b>			<b>Telecommunications – Equipment &amp; Services—4.12%</b>		
Albertson's, Inc.	5,878	195,444	ADC Telecommunications, Inc.†	4,682	392,703
AutoZone, Inc.†	1,856	40,832	Andrew Corp.†	1,118	37,523
Bed Bath & Beyond, Inc.†	1,946	70,543	Global Crossing, Ltd.†	12,250	322,328
Best Buy Co., Inc.†	2,850	180,263	Lucent Technologies, Inc.	45,182	2,677,034
Circuit City Stores-Circuit City Group	2,800	92,925	Nortel Networks Corp.	41,100	2,805,075
Consolidated Stores Corp.†	1,500	18,000	QUALCOMM, Inc.†	10,290	617,400
Costco Wholesale Corp.†	6,200	204,600	Scientific-Atlanta, Inc.	2,200	163,900
CVS Corp.	5,414	216,560	Tellabs, Inc.†	5,682	388,862
Dillards, Inc., Class A	1,298	15,901			<u>7,404,825</u>
Dollar General Corp.	4,566	89,037	<b>Telecommunications – Integrated—3.80%</b>		
Federated Department Stores, Inc.†	2,968	100,170	ALLTEL Corp.	4,380	271,286
Gap, Inc., The	11,806	368,938	AT&T Corp.	52,066	1,646,571
Great Atlantic & Pacific			Bell Atlantic Corp.	21,446	1,089,725
Tea Co., Inc., The	500	8,313	SBC Communications, Inc.	47,198	2,041,314
Home Depot, Inc., The	32,090	1,602,494	WorldCom, Inc.†	39,724	1,822,339
					<u>6,871,235</u>

†Non-income producing security.

See notes to financial statements.

# S&P 500 INDEX PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Telecommunications – Wireless–0.78%</b>			<b>Utilities – Electric &amp; Gas—Continued</b>		
Nextel Communications, Inc.†	10,522	\$ 643,815	Consolidated Edison, Inc.	2,940	\$ 87,098
Sprint Corp. – PCS Group†	12,698	755,531	Constellation Energy Group	2,076	67,600
		<u>1,399,346</u>	CP&L, Inc.	2,214	70,710
<b>Telecommunications – Wireline–1.79%</b>			Dominion Resources, Inc.	3,300	141,488
BellSouth Corp.	26,106	1,112,768	DTE Energy Co.	1,978	60,453
CenturyTel, Inc.	1,946	55,948	Duke Energy Corp.	5,100	287,513
GTE Corp.	13,358	831,536	Eastern Enterprises	380	23,940
Sprint Corp. – Fon Group	12,150	619,650	Edison International	4,610	94,505
U S WEST, Inc.	7,050	604,538	Entergy Corp.	3,190	86,728
		<u>3,224,440</u>	FirstEnergy Corp.	3,170	74,099
<b>Textiles &amp; Apparel–0.13%</b>			Florida Progress Corp.	1,368	64,125
Liz Claiborne, Inc.	756	26,649	FPL Group, Inc.	2,472	122,364
Nike, Inc., Class B	3,794	151,049	GPU, Inc.	1,682	45,519
Reebok International, Ltd.†	800	12,750	New Century Energies, Inc.	1,616	48,480
Russell Corp.	500	10,000	Niagara Mohawk Holdings, Inc.†	2,391	33,325
Springs Industries, Inc., Class A	250	8,047	Northern States Power Co.	2,179	43,989
V.F. Corp.	1,584	37,719	PECO Energy Co.	2,352	94,815
		<u>246,214</u>	Peoples Energy Corp.	500	16,188
<b>Tobacco–0.49%</b>			PG&E Corp.	5,346	131,645
Philip Morris Companies, Inc.	31,726	842,722	Pinnacle West Capital Corp.	1,200	40,650
UST, Inc.	2,250	33,047	PPL Corp.	2,001	43,897
		<u>875,769</u>	Public Service Enterprise Group, Inc.	3,000	103,875
<b>Toys–0.06%</b>			Reliant Energy, Inc.	4,102	121,265
Hasbro, Inc.	2,388	35,969	Southern Co., The	8,999	209,789
Mattel, Inc.	5,900	77,806	TXU Corp.	3,658	107,911
		<u>113,775</u>	Unicom Corp.	2,466	95,403
<b>Transportation–0.28%</b>					<u>2,603,500</u>
CSX Corp.	3,000	63,563	<b>TOTAL COMMON STOCK</b>		
FedEx Corp.†	4,050	153,900	(Cost \$173,043,190)		<u>173,341,538</u>
Kansas City Southern Industries, Inc.	1,546	137,111	<b>SHORT-TERM OBLIGATIONS—0.20%</b>		
Union Pacific Corp.	3,438	127,851		Principal Value	
		<u>482,425</u>	<b>Government Agency–0.20%</b>		
<b>Travel Services–0.03%</b>			US Treasury Bill, 5.780%,		
Sabre Holdings Corp.	1,790	51,015	due 09/21/00*	\$ 360,000	355,464
<b>Utilities – Electric &amp; Gas–1.45%</b>			<b>TOTAL SHORT-TERM OBLIGATIONS</b>		
Ameren Corp.	1,904	64,260	(Cost \$355,388)		<u>355,464</u>
American Electric Power Co., Inc.	4,460	132,128	<b>TOTAL INVESTMENTS</b>		
Cinergy Corp.	2,204	56,064	(Cost \$173,398,578)	96.50%	173,697,002
CMS Energy Corp.	1,522	33,674	Other assets, less liabilities	<u>3.50</u>	<u>6,556,812</u>
			<b>TOTAL NET ASSETS</b>		
				<u>100.00%</u>	<u>\$180,253,814</u>

†Non-income producing security.

\*Security was pledged to cover margin requirements for futures contracts.

See notes to financial statements.

# VALUE PORTFOLIO

*“We believe that sentiment toward value stocks will continue to improve materially in the future.”*

—Scott T. Lewis and Robert E. Rescoe, Portfolio Managers—

## INCEPTION DATE

May 1, 1992

## FUND MANAGER

Credit Suisse Asset Management, LLC

## INVESTMENT OBJECTIVE AND STRATEGY

To seek long-term growth of capital by investing primarily in companies whose earnings power, asset value, or intrinsic worth do not appear to be reflected in the current stock price.

## NET ASSETS AS OF 6/30/00

\$77,907,067

## NUMBER OF HOLDINGS

75

## PORTFOLIO TURNOVER

37.32%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

Financial Highlights

Schedule of  
Portfolio Investments

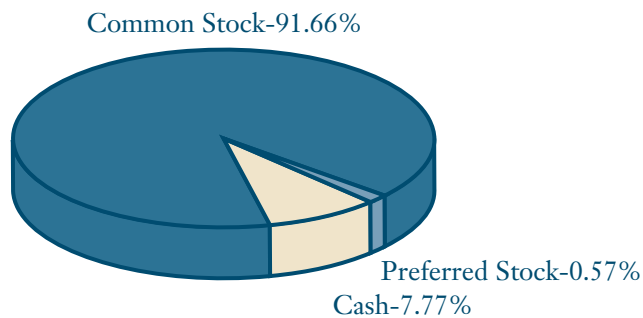
### SCOTT T. LEWIS Managing Director

- Joined Credit Suisse in 1999, formerly with Warburg Pincus Asset Management since 1986
- 16 years of investment experience
- M.B.A. from New York University's Stern School of Business
- B.S. from New York University

### ROBERT E. RESCOE, CFA Director

- Joined Credit Suisse in 1999, formerly with Warburg Pincus Asset Management since 1983
- M.B.A. from University of Texas
- B.A. from Tulane University
- Chartered Financial Analyst

# VALUE PORTFOLIO



that hampered the Portfolio included its retail holdings.

We made few noteworthy changes to the Portfolio during the first half of the year in terms of sector emphasis or, for that matter, individual holdings. The Portfolio's relatively low turnover for the period was consistent with our value-based stock-selection process, and value investing generally, which typically stresses a patient approach (momentum investing, by contrast, often generates high turnover, with investors rotating quickly among market sectors).

The Portfolio's largest sector weighting throughout the period remained the energy area (15.79%), where we believe a number of stocks offer compelling value. We continued to emphasize integrated multinational oil companies undergoing significant restructurings, for example as the result of merger activity. Representative holdings in this regard continued to include BP Amoco (3.35%) and Exxon Mobil (2.15%). Another energy holding worthy of mention, and one we added in May, was El Paso Energy (1.28%), which owns North America's largest natural-gas pipeline system.

Another area of emphasis for the Portfolio remained financial-services and bank and savings & loans sectors during the first six months (5.96% and 7.06% of the portfolio, respectively). While the group continued to be restrained by interest-rate uncertainties, we believe that certain financial names are compelling, given their relatively low valuations and a supportive backdrop of global economic growth and stable

While the first quarter was an overall positive (though quite turbulent period) for the U.S. stock market, the second quarter was difficult and highly volatile, reflecting inflation and interest-rate uncertainties, concerns over valuations on technology stocks and other factors, such as worries regarding the wider implications of the government's antitrust suit against Microsoft.

The air of uncertainty aided a number of value stocks, however. Investors deemed certain relatively inexpensive stocks to be attractive on the basis of their potential downside protection and their underlying companies' earnings prospects (to be sure, a number of value stocks continued to languish). All told, the value group handily outperformed growth-oriented stocks for the second quarter of this year vs. the first quarter where growth stocks were favored.

The JPVF Value Portfolio had a modest loss of 0.45% for the three months, vs. a loss of 2.66% for the S&P 500 Index and a loss of 1.53% for the Lipper Multi-Cap Value Index. Stocks that helped the Portfolio included its energy, health-care and food & beverage holdings. On the negative side, stocks

TOP TEN EQUITIES	PERCENT OF PORTFOLIO‡
BP Amoco, ADR	3.19%
Keebler Foods Co.	2.66%
R & B Falcon Corp.	2.59%
Eli Lilly and Co.	2.58%
Lehman Brothers Holdings, Inc.	2.33%
Exxon Mobil Corp.	2.05%
Comerica, Inc.	2.04%
Total Fina, SA, ADR	1.91%
Devon Energy Corp.	1.89%
General Mills, Inc.	1.86%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO‡
Oil & Gas – Integrated	10.73%
Retail Stores	7.31%
Telecommunications – Integrated	6.48%
Banking	6.47%
Manufacturing	6.38%
Food Products	6.02%
Pharmaceutical	5.05%
Financial Services	4.62%
Oil & Gas Services & Equipment	4.27%
Oil & Gas Producers	4.25%

‡Represents market value of investments plus cash.

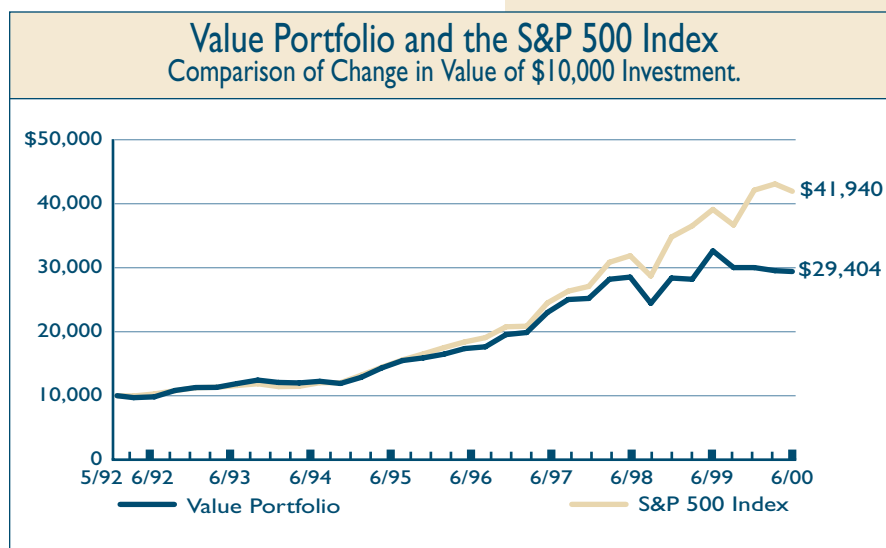
# VALUE PORTFOLIO

inflation. One financial name we added during the second quarter was Allied Capital (0.93%), an investment company that provides capital to small, rapidly growing enterprises, among other investment targets.

Within the consumer segment, we maintained a noteworthy position in the retail sector (7.81%). Notwithstanding the group's difficult quarter, we believe that retail stocks, and certain names in particular, will benefit over the longer term from a healthy economy and improved inventory management. We also maintained exposure to less-cyclical consumer stocks, mostly via the food, beverages and tobacco sector (7.87%), where ongoing restructuring programs and a wave of consolidation activity stand to materially improve earnings going forward.

Elsewhere of note, we modestly raised our weighting in the telecommunications & equipment sector (8.86%), purchasing CenturyTel in May (1.30%), a diversified regional services provider based in Louisiana. We established the position after the stock declined sharply in April on earnings uncertainties. In our view, the company's recent acquisitions (which have clouded its near-term earnings outlook) will prove to be significant sources of earnings improvements over time.

The rest of the portfolio remained invested across a range of sectors, including capital-equipment (7.22%), industrial manufacturing & processing (4.56%), health-care (4.19%) and pharmaceuticals (5.47%). We remained underweighted in technology stocks,



which we generally deemed to be expensive, though we deemed certain computer names to be attractive based on factors such as healthy balance sheets and good unit-growth prospects.

Looking ahead, we believe that sentiment toward value stocks will continue to improve materially in the future. Valuation discrepancies between growth-oriented stocks and those typically associated with value investing (e.g., out-of-favor economically sensitive stocks) remain as wide as they have been in decades. Many value stocks, meanwhile, represent companies with healthy and improving fundamentals. This stands to benefit value-oriented sectors of the market, barring any long-term retreat from equities (generally given the strong economy, we believe that stocks will remain, on the whole, compelling compared to other asset classes). As ever, our focus will remain on identifying fundamentally undervalued companies with the brightest longer-term prospects.

## AVERAGE ANNUAL TOTAL RETURNS

	VALUE	S&P 500 INDEX
YTD	-2.04%	-0.42%
1 YEAR	-9.88%	7.25%
5 YEARS	15.43%	23.77%
INCEPTION	14.11%	19.18%

*Commencement of operations May 1, 1992. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Value Portfolio (the "Portfolio") at its inception with a similar investment in the S&P 500 Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The S&P 500 Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

# VALUE PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 20.06	\$ 19.12	\$ 17.11	\$ 16.91	\$ 14.41	\$ 11.22
<b>Income From Investment Operations</b>						
Net investment income	0.10	0.17	0.15	0.15	0.18	0.15
Net gains and losses on securities (both realized and unrealized)	(0.49)	0.92	2.01	4.67	3.12	3.62
Total from investment operations	(0.39)	1.09	2.16	4.82	3.30	3.77
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income	(0.10)		(0.15)	(0.15)	(0.18)	(0.15)
Dividends in excess of net investment income	(0.07)					
Distributions from capital gains		(0.15)		(4.21)	(0.62)	(0.29)
Distributions in excess of capital gains	(2.08)			(0.26)		(0.14)
Returns of capital						
Total distributions	(2.25)	(0.15)	(0.15)	(4.62)	(0.80)	(0.58)
Net asset value, end of period	<u>\$ 17.42</u>	<u>\$ 20.06</u>	<u>\$ 19.12</u>	<u>\$ 17.11</u>	<u>\$ 16.91</u>	<u>\$ 14.41</u>
Total Return (A)	(2.04%)	5.75%	12.63%	28.92%	22.88%	33.58%
Ratios to Average Net Assets: (B)						
Expenses	0.83%	0.85%	0.86%	0.85%	0.88%	0.92%
Net investment income	1.21%	0.89%	0.87%	1.03%	1.39%	1.50%
Portfolio Turnover Rate	37.32%	99.60%	66.19%	129.53%	35.69%	32.30%
Net Assets, At End of Period	\$77,907,067	\$76,424,174	\$65,309,530	\$39,678,076	\$23,711,696	\$13,126,023

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.



# VALUE PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—89.85%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Aerospace &amp; Defense—2.03%</b>			<b>Financial Services—4.53%</b>		
Boeing Co., The	20,000	\$ 836,250	Allied Capital Corp.	40,000	\$ 680,000
Honeywell International, Inc.	22,100	744,494	Fannie Mae	18,500	965,469
		<u>1,580,744</u>	Labranche & Co., Inc.†	7,100	102,063
			Lehman Brothers Holdings, Inc.	18,850	1,782,503
					<u>3,530,035</u>
<b>Automotive Manufacturing—2.34%</b>			<b>Food Products—5.90%</b>		
Ford Motor Co.	30,000	1,290,000	General Mills, Inc.	37,100	1,419,075
Navistar International Corp.†	17,000	528,063	Keebler Foods Co.	54,800	2,034,450
		<u>1,818,063</u>	Quaker Oats Co., The	15,200	1,141,900
					<u>4,595,425</u>
<b>Automotive Parts &amp; Equipment—2.15%</b>			<b>Food Service &amp; Restaurants—0.46%</b>		
Borg Warner, Inc.	12,500	439,063	ConAgra, Inc.†	19,000	362,188
Johnson Controls, Inc.	12,300	631,144			
Visteon Corp.†	49,928	605,377			
		<u>1,675,584</u>			
			<b>Insurance—0.91%</b>		
<b>Banking—6.35%</b>			American General Corp.	11,600	707,600
Bank One Corp.	24,500	650,781			
Chase Manhattan Corp., The	12,000	552,750	<b>Machinery—1.76%</b>		
Comerica, Inc.	34,700	1,557,163	Ingersoll-Rand Co.	34,100	1,372,525
Compass Bancshares, Inc.	33,500	571,594			
Wachovia Corp.	16,100	873,425	<b>Manufacturing—6.26%</b>		
Wells Fargo & Co.	19,000	736,250	Eaton Corp.	12,500	837,500
		<u>4,941,963</u>	ITT Industries, Inc.	24,000	729,000
			Minnesota Mining & Manufacturing Co.	8,100	668,250
<b>Beverages—0.98%</b>			Parker-Hannifin Corp.	22,000	753,500
Anheuser-Busch Companies, Inc.	10,250	765,547	Textron, Inc.	13,000	706,063
			Tyco International, Ltd.	24,900	1,179,638
<b>Broadcasting—1.02%</b>					<u>4,873,951</u>
Comcast Corp.†	19,600	793,800			
			<b>Medical – Biotechnology—1.28%</b>		
<b>Building Materials—2.85%</b>			Pharmacia Corp.	19,280	996,535
American Standard Companies, Inc.†	33,100	1,357,100			
USG Corp.	28,500	865,688	<b>Medical Products—2.50%</b>		
		<u>2,222,788</u>	Baxter International, Inc.	12,250	861,328
			Becton, Dickinson and Co.	37,700	1,081,519
<b>Chemicals—0.31%</b>					<u>1,942,847</u>
Crompton Corp.	20,000	245,000			
			<b>Office Equipment—0.94%</b>		
<b>Commercial Services—1.02%</b>			Pitney Bowes, Inc.	18,400	736,000
Harsco Corp.	31,300	798,150			
			<b>Oil &amp; Gas – Distribution &amp; Marketing—1.20%</b>		
<b>Computer Equipment &amp; Services—1.61%</b>			El Paso Energy Corp.	18,300	932,156
Compaq Computer Corp.	49,200	1,257,675			
			<b>Oil &amp; Gas – Integrated—10.52%</b>		
<b>Computer Information Systems—0.96%</b>			Amerada Hess Corp.	12,200	753,350
Unisys Corp.†	51,200	745,600	BP Amoco, PLC, ADR	43,020	2,433,309

†Non-income producing security.

See notes to financial statements.



# VALUE PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Oil &amp; Gas – Integrated—Continued</b>			<b>Telecommunications – Integrated—6.35%</b>		
Exxon Mobil Corp.	19,900	\$ 1,562,150	ALLTEL Corp.	13,000	\$ 805,188
Nabors Industries, Inc.†	21,300	885,281	AT&T Corp.	17,200	543,950
Royal Dutch Petroleum Co., ADR	17,900	1,101,969	Bell Atlantic Corp.	20,918	1,062,896
Total Fina, SA, ADR	19,000	1,459,438	SBC Communications, Inc.	29,508	1,276,221
		<u>8,195,497</u>	WorldCom, Inc.†	27,500	1,261,563
					<u>4,949,818</u>
<b>Oil &amp; Gas Producers—4.17%</b>			<b>Telecommunications – Wireline—1.13%</b>		
Devon Energy Corp.	25,700	1,444,019	CenturyTel, Inc.	30,700	882,625
Kerr-McGee Corp.	14,900	878,169			
Union Pacific Resources Group, Inc.	42,100	926,200	<b>Transportation—0.84%</b>		
		<u>3,248,388</u>	Kansas City Southern Industries, Inc.	7,400	656,288
<b>Oil &amp; Gas Services &amp; Equipment—4.18%</b>			<b>Utilities – Electric &amp; Gas—1.07%</b>		
Pride International, Inc.†	51,900	1,284,525	Allegheny Energy, Inc.	19,000	520,125
R & B Falcon Corp.†	83,800	1,974,538	American Electric Power Co., Inc.	10,500	311,063
		<u>3,259,063</u>			<u>831,188</u>
<b>Pharmaceutical—4.95%</b>			<b>TOTAL COMMON STOCK</b>		
Abbott Laboratories	19,600	873,425	(Cost \$70,209,727)		<u>70,011,107</u>
American Home Products Corp.	17,300	1,016,375			
Eli Lilly & Co.	19,700	1,967,538	<b>PREFERRED STOCKS—0.56%</b>		
		<u>3,857,338</u>	<b>Real Estate—0.56%</b>		
<b>Publishing &amp; Printing—1.27%</b>			Equity Residential Properties Trust,		
New York Times Co., The	25,100	991,450	Series G, 7.250%, due 09/15/02	19,300	434,250
<b>Railroad—0.45%</b>					
Burlington Northern Sante Fe Corp.	15,300	350,944	<b>TOTAL PREFERRED STOCKS</b>		
<b>Retail Stores—7.16%</b>			(Cost \$471,580)		<u>434,250</u>
Federated Department Stores, Inc.†	25,000	843,750	<b>TOTAL INVESTMENTS</b>		
May Department Stores Co., The	34,050	817,200	(Cost \$70,681,307)	90.41%	70,445,357
Ross Stores, Inc.	47,800	815,588	Other assets, less liabilities	<u>9.59</u>	<u>7,461,710</u>
Safeway, Inc.†	23,000	1,037,875			
TJX Companies, Inc., The	59,600	1,117,500	<b>TOTAL NET ASSETS</b>		
Toys “R” Us, Inc.†	65,100	948,019	100.00%	<u>\$ 77,907,067</u>	
		<u>5,579,932</u>			
<b>Telecommunications – Equipment &amp; Services—0.40%</b>					
Harris Corp.	9,600	314,400			

†Non-income producing security.

See notes to financial statements.

# BALANCED PORTFOLIO

*“...where we hope to consistently add value is by staying focused on the fundamentals — namely uncovering companies whose outstanding management teams are committed to growing their top lines and improving returns on capital.”*

—Karen L. Reidy, Portfolio Manager—

## INCEPTION DATE

May 1, 1992

## FUND MANAGER

Janus Capital Corporation

## INVESTMENT OBJECTIVE AND STRATEGY

To seek reasonable current income and long-term capital growth, consistent with conservation of capital.

## NET ASSETS AS OF 6/30/00

\$58,821,589

## NUMBER OF HOLDINGS

113

## PORTFOLIO TURNOVER

38.52%

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

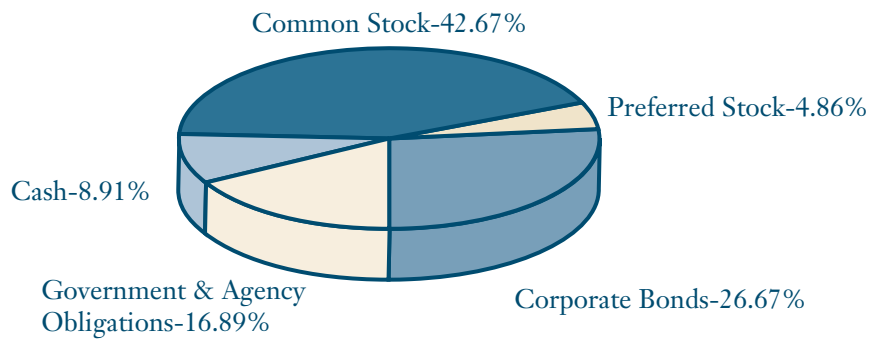
Financial Highlights

Schedule of  
Portfolio Investments

## KAREN L REIDY, CFA

- Joined Janus in 1995
- B.S. from University of Colorado
- Chartered Financial Analyst

# BALANCED PORTFOLIO



This, in turn, prompted a sell-off in many stocks, particularly within the technology sector. Bond markets also came under pressure, as investors flocked to long-term Treasuries following the launch of the Treasury Department's buyback plan. Because spreads or differences in yields between Treasuries and corporate bonds widened, corporates suffered as a result.

Although these events affected the performance of the Portfolio, they were beyond our control. However, where we hope to consistently add value is by staying focused on the fundamentals — namely uncovering companies whose outstanding management teams are committed to growing their top lines and improving returns on capital. To that end, we took steps to raise our cash position throughout the period in anticipation of compelling opportunities in both the equity and fixed-income markets.

In light of the atypical environment for bonds, we restructured the fixed-income side of the Portfolio to reflect a more even mix of Treasuries and corporate debt. While we missed out on the Treasury rally earlier in the year, we recently increased our exposure to the Treasury market on the belief that the buyback program will move through the maturity spectrum. In addition, we've taken on a number of short-term investment-grade issues, which offer

TOP TEN HOLDINGS	PERCENT OF PORTFOLIO†
U.S. Treasury Note, 5.875%, due 11/15/04	8.01%
U.S. Treasury Note, 6.000%, due 08/15/09	4.04%
General Electric Co.	3.24%
EMC Corp.	3.04%
U.S. Treasury Note, 5.875%, due 11/30/01	2.56%
Nokia Oyj, SA, ADR	1.99%
Viacom, Inc., 7.750%, due 06/01/05	1.74%
IBM Credit Corp., 7.000%, due 01/28/02	1.72%
AT&T Corp. – Liberty Media Group	1.53%
Sun Microsystems, Inc.	1.52%

TOP TEN INDUSTRIES	PERCENT OF PORTFOLIO†
Financial Services	11.65%
Broadcasting	8.95%
Computer Equipment & Services	4.99%
Telecommunications – Wireless	4.37%
Internet Services	4.09%
Retail Stores	3.92%
Telecommunications – Equipment & Services	3.49%
Diversified Operations	3.24%
Multimedia	3.18%
Chemicals	2.82%

†Represents market value of investments plus cash.

Having assumed the reins of the Portfolio early this year, I wanted to take a few moments to discuss my investment strategy. First and foremost, my approach is grounded in Janus' bottom-up, research-intensive discipline, meaning I focus on individual companies and issuers, rather than broader trends in the economy or the markets. On the equity side, I look for businesses with a history of predictable earnings, rising returns on invested capital and declining capital intensity. With regard to fixed-income, I tend to avoid interest rate bets by investing in medium duration bonds. Not unlike my equity approach, I favor issuers whose earnings growth, free cash flow and decreasing debt ratio suggest that they can outperform market expectations.

Given the extreme volatility that rocked the financial markets during the second quarter, we faced numerous challenges. As is often the case, higher interest rates and fears of further rate hikes contributed to the uncertainty.

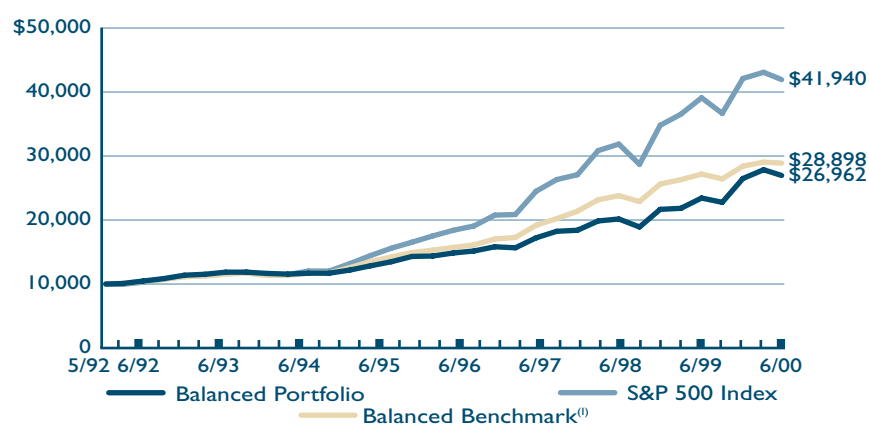
# BALANCED PORTFOLIO

attractive yields and present little in the way of interest rate or credit risk.

Moving to the equity portion of the Portfolio, we used the sell-off in technology stocks to increase our holdings in Texas Instruments and EMC Corp, two top performers. Texas Instruments continued to gain share in the analog semiconductor market, while solidifying its position as the leading maker of digital signal processors, or DSPs. These chips, which power wireless phones, will also play a key role in personal wireless Internet devices currently in development. EMC, the preeminent producer of memory storage and retrieval systems for large mainframe computers, recently introduced a host of new middle-market products that support network-attached storage. By enabling servers to have their own, rather than a shared, storage unit, users benefit from quicker and more efficient data access.

As for disappointments, Wal-Mart, the nation's largest retailer, fell on weakness in retail stocks following reports of a slowdown in consumer spending. Wal-Mart's lofty valuation put it at a higher risk than other retailers, although its fundamentals, across the board, are far superior. The successful rollout of its Supercenter stores, which offer both groceries and general merchandise, continues to fuel impressive sales growth. That said, we saw the drop as a buying opportunity and added to our position.

**Balanced Portfolio, S&P 500 Index and the Balanced Benchmark<sup>(1)</sup>**  
Comparison of Change in Value of \$10,000 Investment.



Cable operator Comcast also slipped as investors questioned the cash flow dynamics from the introduction of new value-added services. While we trimmed the position slightly, we believe the downturn is temporary.

Looking ahead, we expect market volatility to persist as long as the economy shows few signs of slowing. Of course, under these circumstances many investors are inclined to stay close to their computer screens, monitoring daily price fluctuations. We, on the other hand, believe this is the perfect time to get out there and beat the bushes — visiting our companies, attending trade shows and talking to customers — to bolster our confidence in our holdings and reaffirm our reasons for investing.

## AVERAGE ANNUAL TOTAL RETURNS

	BALANCED	S&P 500 INDEX	BALANCED BENCHMARK <sup>(1)</sup>
YTD	1.78%	-0.42%	1.68%
1 YEAR	15.03%	7.25%	5.98%
5 YEARS	15.98%	23.77%	14.91%
INCEPTION	12.91%	19.18%	13.58%

*Commencement of operations May 1, 1992. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the Balanced Portfolio (the "Portfolio") at its inception with a similar investment in the S&P 500 Index and the Balanced Benchmark<sup>(1)</sup>. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The S&P 500 Index and the Balanced Benchmark are unmanaged indexes and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

<sup>(1)</sup> The Balanced Benchmark reflects the performance of the 55% S&P 500/35% Lehman Aggregate/10% 90 Day T-Bill Index from May 1, 1992 through April 30, 1999 and the 50% S&P 500/40% Lehman Aggregate/10% 90 Day T-Bill Index from May 1, 1999 through June 30, 2000.

# BALANCED PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 15.27	\$ 12.71	\$ 11.75	\$ 12.07	\$ 11.91	\$ 10.62
<b>Income From Investment Operations</b>						
Net investment income	0.19	0.31	0.24	0.30	0.26	0.37
Net gains and losses on securities (both realized and unrealized)	<u>0.12</u>	<u>2.47</u>	<u>1.84</u>	<u>1.60</u>	<u>0.99</u>	<u>1.99</u>
Total from investment operations	0.31	2.78	2.08	1.90	1.25	2.36
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income	(0.19)		(0.24)	(0.30)	(0.26)	(0.37)
Dividends in excess of net investment income	(0.12)					
Distributions from capital gains	(0.12)	(0.22)	(0.88)	(1.64)	(0.83)	(0.70)
Distributions in excess of capital gains	(0.71)			(0.28)		
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	(1.14)	(0.22)	(1.12)	(2.22)	(1.09)	(1.07)
Net asset value, end of period	<u>\$ 14.44</u>	<u>\$ 15.27</u>	<u>\$ 12.71</u>	<u>\$ 11.75</u>	<u>\$ 12.07</u>	<u>\$ 11.91</u>
Total Return (A)	1.78%	22.26%	17.74%	16.33%	10.56%	22.35%
Ratios to Average Net Assets: (B)						
Expenses	0.73%	0.97%	0.94%	0.97%	0.97%	0.99%
Net investment income	3.00%	2.49%	2.08%	2.60%	2.20%	3.20%
Portfolio Turnover Rate	38.52%	237.64%	247.07%	254.04%	222.35%	164.70%
Net Assets, At End of Period	\$58,821,589	\$53,313,418	\$35,113,754	\$22,637,577	\$18,256,430	\$14,532,268

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost.

(B) Per share data and ratios are calculated on an annualized basis.

## BALANCED PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—42.04%			COMMON STOCK—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Banking—1.56%</b>			<b>Electronic Components—1.38%</b>		
Bank of New York Co., Inc., The	6,380	\$ 296,670	Linear Technology Corp.	7,380	\$ 471,859
Citigroup, Inc.	10,320	621,780	Maxim Integrated Products, Inc.†	5,050	343,084
		918,450			814,943
<b>Beverages—0.38%</b>			<b>Electronics—1.09%</b>		
Anheuser-Busch Companies, Inc.	3,010	224,809	Samsung Electronics, GDR	7,035	642,823
<b>Broadcasting—4.61%</b>			<b>Electronics – Semiconductors—1.91%</b>		
AT&T Corp. – Liberty Media Group†	36,550	886,338	Advanced Micro Devices, Inc.†	6,105	471,611
Comcast Corp.†	14,895	603,248	Texas Instruments, Inc.	9,530	654,592
Hispanic Broadcasting Corp.†	11,220	371,663			1,126,203
Infinity Broadcasting Corp.†	12,465	454,193	<b>Financial Services—2.13%</b>		
Univision Communications, Inc.†	3,825	395,888	American Express Co.	9,345	487,108
		2,711,330	Associates First Capital Corp.	12,175	271,655
<b>Chemicals—1.22%</b>			Charles Schwab Corp., The	14,662	493,010
E.I. du Pont de Nemours & Co.	1,860	81,375			1,251,773
Lyondell Chemical Co.	32,770	548,898	<b>Insurance—0.81%</b>		
Praxair, Inc.	2,315	86,668	American International Group, Inc.	1,570	184,475
		716,941	Prudential, PLC	20,198	296,013
<b>Commercial Services—0.42%</b>					480,488
Paychex, Inc.	5,920	248,640	<b>Internet Services—1.60%</b>		
<b>Computer Equipment &amp; Services—4.92%</b>			America Online, Inc.†	6,175	325,731
Automatic Data Processing, Inc.	11,045	591,598	VeriSign, Inc.†	3,498	617,397
EMC Corp.†	22,905	1,762,253			943,128
Symbol Technologies Inc.	9,957	537,678	<b>Manufacturing—0.71%</b>		
		2,891,529	Corning, Inc.	1,185	319,802
<b>Computer Network—0.90%</b>			Harley-Davidson, Inc.	2,640	101,640
Cisco Systems, Inc.†	8,320	528,840			421,442
<b>Computer Software – Mainframe—0.97%</b>			<b>Marketing Services—0.02%</b>		
Cadence Design Systems, Inc.†	6,545	133,354	DoubleClick, Inc.†	265	10,103
Oracle Corp.†	5,170	434,603	<b>Medical – Biotechnology—1.68%</b>		
		567,957	Genentech, Inc.†	2,275	391,300
<b>Computer Software – Mini &amp; Micro—2.01%</b>			Pharmacia Corp.	11,450	591,822
Sun Microsystems, Inc.†	9,720	883,913			983,122
VERITAS Software Corp.†	2,640	298,361	<b>Multimedia—1.42%</b>		
		1,182,274	Viacom, Inc., Class B†	12,245	834,956
<b>Diversified Operations—3.19%</b>			<b>Oil &amp; Gas – Distribution &amp; Marketing—0.53%</b>		
General Electric Co.	35,430	1,877,786	Enron Corp.	4,845	312,503

†Non-income producing security.

See notes to financial statements.



## BALANCED PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

COMMON STOCK—CONTINUED			PREFERRED STOCKS—CONTINUED		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Pharmaceutical—1.06%</b>			<b>Publishing &amp; Printing—0.91%</b>		
King Pharmaceuticals, Inc.†	6,540	\$ 286,943	Tribune Co., 2.000%, due 05/15/29	4,625	\$ 533,031
Pfizer, Inc.	6,935	332,880	<b>Utilities – Electric &amp; Gas—1.38%</b>		
		619,823	Houston Industries, Inc.,		
			7.000%, due 07/01/00	2,495	306,885
<b>Retail Stores—2.11%</b>			Reliant Energy, Inc., due 09/15/29	6,970	506,196
Gap, Inc., The	4,570	142,813			813,081
Home Depot, Inc., The	5,860	292,634			
Staples, Inc.†	1,470	22,601			
Wal-Mart Stores, Inc.	13,540	780,243			
		1,238,291	<b>TOTAL PREFERRED STOCKS</b>		
			(Cost \$2,881,341)		2,822,929
<b>Telecommunications – Equipment &amp; Services—2.33%</b>			<b>CONVERTIBLE BONDS—2.39%</b>		
Nokia Oyj, SA, ADR	23,120	1,154,555		Principal Value	
Telefonaktiebolaget LM Ericsson, AB, ADR	10,905	218,100	<b>Broadcasting—0.18%</b>		
		1,372,655	TeleWest Communications, PLC,		
			Series 144A, 5.250%, due 02/19/07	\$ 80,000	107,728
<b>Telecommunications – Integrated—1.15%</b>			<b>Computer Software – Mainframe—0.22%</b>		
Telefonica, SA†	31,474	678,839	i2 Technologies, Inc., Series 144A,		
<b>Telecommunications – Wireless—1.58%</b>			5.250%, due 12/15/06	85,000	129,731
Nextel Communications, Inc.†	2,690	164,594	<b>Internet Services—0.66%</b>		
Sprint Corp. – PCS Group†	11,310	672,945	BEA Systems, Inc., Series 144A,		
Vodafone AirTouch, PLC, ADR	2,255	93,442	4.000%, due 12/15/06	111,000	172,466
		930,981	Exodus Communications, Inc.,		
<b>Telecommunications – Wireline—0.35%</b>			4.750%, due 07/15/08	152,000	216,600
McLeodUSA, Inc.†	10,050	207,909			389,066
			<b>Telecommunications – Wireless—0.58%</b>		
<b>TOTAL COMMON STOCK</b>			Nextel Communications, Inc.,		
(Cost \$19,134,630)		24,738,538	4.750%, due 07/01/07	130,000	342,875
<b>PREFERRED STOCKS—4.81%</b>			<b>Telecommunications – Wireline—0.53%</b>		
<b>Broadcasting—2.10%</b>			Telefonos de Mexico,		
Comcast Corp., 2.000%, due 10/15/29	4,500	510,750	4.250%, due 06/15/04	240,000	310,800
Cox Communications, Inc., 7.000%	8,500	522,219	<b>Utilities – Electric &amp; Gas—0.22%</b>		
MediaOne Group, Inc., 6.250%	2,210	198,762	Alliant Energy Resources, Inc.,		
		1,231,731	Series 144A, 7.250%, due 02/15/30	1,875	128,906
<b>Internet Services—0.42%</b>			<b>TOTAL CONVERTIBLE BONDS</b>		
PSINet, Inc., Series 144A, 7.000%†	7,235	245,086	(Cost \$1,187,416)		1,409,106

†Non-income producing security.

See notes to financial statements.



## BALANCED PORTFOLIO

## SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—23.87%			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Banking—0.08%</b>			<b>Financial Services—Continued</b>		
Firststar Bank Corp, NA, 7.125%, due 12/01/09	\$ 50,000	\$ 47,411	Ford Motor Credit, 7.250%, due 01/15/03	\$ 375,000	\$ 371,631
<b>Beverages—1.61%</b>			Ford Motor Credit, 7.750%, due 02/15/07†	250,000	249,614
Anheuser-Busch Co., Inc., 5.375%, due 09/15/08	500,000	437,088	Ford Motor Credit, 5.800%, due 01/12/09	600,000	521,958
Coca-Cola Entertainment, Inc., 6.625%, due 08/01/04	140,000	136,955	GE Capital Corp., 7.000%, due 03/01/02†	485,000	483,559
Coca-Cola Entertainment, Inc., 7.125%, due 09/30/09	390,000	376,242	GE Capital Corp., 7.000%, due 02/03/03†	590,000	587,603
		<u>950,285</u>	GE Capital Corp., 7.250%, due 02/01/05†	500,000	500,917
<b>Broadcasting—1.94%</b>			GE Capital Corp., 7.370%, due 01/19/10	500,000	504,715
Liberty Media Group, 7.875%, due 07/15/09	275,000	264,765	General Motors Acceptance Corp., 5.850%, 01/14/09	800,000	699,670
Cox Communications, Inc., 7.000%, due 08/15/01	200,000	198,951	Houshold Finance Corp., 8.000%, due 05/09/05†	110,000	110,871
Cox Communications, Inc., 7.500%, due 08/15/04	230,000	228,882	International Business Machine Corp., 7.000%, 01/28/02†	1,000,000	996,684
Cox Communications, Inc., 7.750%, due 08/15/06	250,000	248,782			<u>5,505,146</u>
CSC Holdings, Inc., Series B, 8.125%, due 07/15/09	100,000	97,317	<b>Internet Services—1.35%</b>		
CSC Holdings, Inc., Series B, 8.125%, due 08/15/09	100,000	97,290	Exodus Communications, Inc., 11.250%, due 07/01/08	500,000	495,000
		<u>1,135,987</u>	PSINet, Inc., 11.000%, due 08/01/09	325,000	300,625
<b>Chemicals—1.56%</b>					<u>795,625</u>
E. I. du Pont Nemours and Co., 6.750%, due 10/15/04	500,000	493,741	<b>Medical – Biotechnology—0.40%</b>		
E. I. du Pont Nemours and Co., 6.875%, due 10/15/09	125,000	121,566	Pharmacia Corp., 5.375%, due 12/01/05	250,000	233,955
Lyondell Chemical Co., Series A, 9.625%, due 05/01/07	305,000	300,425	<b>Multimedia—1.71%</b>		
		<u>915,732</u>	Viacom, Inc., 7.750%, due 06/01/05	1,000,000	1,006,969
<b>Computer Software – Mini &amp; Micro—0.22%</b>			<b>Retail Stores—1.75%</b>		
Sun Microsystems, Inc., 7.650%, due 08/15/09	130,000	129,936	Wal-Mart Stores, Inc., 6.150%, due 08/10/01	250,000	247,601
<b>Financial Services—9.35%</b>			Wal-Mart Stores, Inc., 6.550%, due 08/10/04	300,000	296,053
American Express Co., 6.750%, due 06/23/04	285,000	278,091	Wal-Mart Stores, Inc., 6.875%, due 08/10/09	500,000	488,930
Charles Schwab Corp., The, 8.050%, due 03/01/10†	200,000	199,833			<u>1,032,584</u>
†Non-income producing security.					

See notes to financial statements.

## BALANCED PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

## CORPORATE BONDS—CONTINUED

Company	Principal Value	Market Value
<b>Telecommunications – Equipment &amp; Services–1.10%</b>		
Lucent Technologies, Inc., 5.500%, due 11/15/08	\$ 600,000	\$ 534,656
Metromedia Fiber Network, Inc., 10.000%, due 12/15/09	115,000	113,275
		<u>647,931</u>
<b>Telecommunications – Integrated–0.66%</b>		
360 Communications Corp., 7.500%, due 03/01/06	125,000	123,730
AT&T Corp., 6.000%, due 03/15/09	300,000	267,492
		<u>391,222</u>
<b>Telecommunications – Wireless–2.14%</b>		
Nextel Communications, Inc., 9.375%, due 11/15/09	727,000	694,285
VoiceStream Wireless Corp., 10.375%, due 11/15/09	545,000	564,075
		<u>1,258,360</u>
<b>TOTAL CORPORATE BONDS</b> (Cost \$14,412,923)		<u>14,051,143</u>

## GOVERNMENT &amp; AGENCY OBLIGATIONS—16.65%

<b>Government Agency–2.25%</b>		
Federal Home Loan Bank, 6.750%, due 02/01/02†	250,000	249,397
Federal Home Loan Mortgage Corp., 7.000%, due 03/15/10†	100,000	99,158
Federal National Mortgage Association, 6.250%, due 11/15/02	425,000	418,626
Federal National Mortgage Association, 5.750%, due 04/15/03	575,000	557,171
		<u>1,324,352</u>

†Non-income producing security.

## GOVERNMENT &amp; AGENCY OBLIGATIONS—CONTINUED

Company	Principal Value	Market Value
<b>U.S. Treasury Bonds and Notes–14.40%</b>		
United States Treasury Note, 5.875%, due 11/30/01	\$ 1,495,000	\$ 1,481,919
United States Treasury Note, 5.875%, due 11/15/04	4,715,000	4,644,275
United States Treasury Note, 6.000%, due 08/15/09	2,360,000	2,340,825
		<u>8,467,019</u>
<b>TOTAL GOVERNMENT &amp; AGENCY OBLIGATIONS</b> (Cost \$9,866,604)		<u>9,791,371</u>
<b>TOTAL INVESTMENTS</b> (Cost \$47,482,914)		
	89.76%	52,813,087
Other assets, less liabilities	10.24	6,008,502
<b>TOTAL NET ASSETS</b>		<u>100.00%</u> <u>\$ 58,821,589</u>

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

*“Yield spreads have widened significantly during the past year, making the yields on high-income bonds very attractive relative to other fixed-income securities.”*

—Bernard A. Scozzafava, Portfolio Manager—

## INCEPTION DATE

January 1, 1998

## FUND MANAGER

Massachusetts Financial Services Company

## INVESTMENT OBJECTIVE AND STRATEGY

To seek a high level of income by investing primarily in corporate obligations with emphasis on higher-yielding, higher risk, lower-rated or unrated securities.

## NET ASSETS AS OF 6/30/00

\$10,793,942

## NUMBER OF HOLDINGS

218

## PORTFOLIO TURNOVER

21.15%

## DOLLAR WEIGHTED AVERAGE MATURITY

7.4 years

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

Financial Highlights

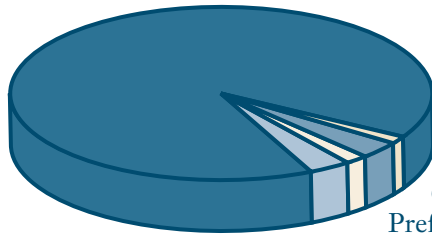
Schedule of  
Portfolio Investments

## BERNARD SCOZZAFAVA Vice President

- Joined MFS in 1989
- M.S. from Massachusetts Institute of Technology
- Graduate of Hamilton College

# HIGH YIELD BOND PORTFOLIO

Corporate Bonds-94.39%



Common Stock-0.39%  
Preferred Stock-2.24%  
Rights and Warrants-0.75%  
Cash-2.23%

PORTFOLIO QUALITY	PERCENT OF PORTFOLIO‡
AA	1.11%
BBB	1.55%
BB	11.09%
B	68.29%
CCC	7.27%
D	0.26%
Not Rated	4.82%
Cash & Cash Equivalents	2.23%

TOP TEN HOLDINGS	PERCENT OF PORTFOLIO‡
PSINet, Inc., 11.000%, due 08/01/09	1.22%
Riverwood Int'l. Corp., 10.250%, due 04/01/06	1.13%
COLT Telecom Group, 0.000%, Step, due 12/15/06	1.12%
Esat Telecom, Series B, 11.875%, due 12/01/08	1.11%
Nextel Communication, 0.000%, Step, 02/15/08	1.10%
NTL, Inc., Series B, 0.000%, Step, due 04/01/08	1.03%
P&L Coal Holdings, 9.625%, due 05/15/08	1.00%
LIN Television Corp., 0.000%, Step, due 03/01/08	0.99%
Paxon Communication, 11.625%, due 10/01/02	0.96%
Tele1 Europe, B.V., 13.000%, due 05/15/09	0.96%

‡Represents market value of investments plus cash.

In a market where many bonds traded flat or lower, successful avoidance of the credit problems and bankruptcies that hurt a variety of industries really helped the Portfolio's performance. We also weren't afraid to lock in profits on a number of subscription warrants — securities issued with a bond or preferred stock that entitles the holder to buy a proportionate amount of common stock at a specified price. Some of these warrants, such as Jazztel PLC, Colt Telecommunications, and Versatel Telecom all spiked up dramatically early in the period. We could have been tempted to hold on to these positions given the strong fundamental outlook for these companies, but we weren't comfortable with the additional risk and decided to reduce our exposure. Many of these telecommunications and technology securities have subsequently come down quite a bit following the sell off in the equity market during the second quarter.

The key to avoiding credit defaults is research. I believe MFS' research capabilities are second to none in the industry. JPVF High Yield Bond Portfolio is backed by a large group of investment professionals dedicated

exclusively to the high-income market. Our research analysts use a variety of models to analyze the credit risk and business prospects of the companies they cover. We carefully measure and manage the underlying financial stability of each company we hold in the portfolio.

Our strategy for picking securities for this Portfolio is similar to equity investing, it is a research intensive, company-by-company, bottom-up approach. First, we look at a company's business risks, then we consider the financial risks. Finally, we look at all the different ways of investing in the company and how the market is pricing each one of the securities. From this analysis, we try to pick the bond that offers the best risk-adjusted return.

Some of the holdings that helped our portfolio's performance were Jazztel, Colt Telecommunications, and Versatel Telecom. Our holding in Esat Holdings, Ltd., another telecommunications company, also provided a nice boost to performance after it was bought out by British Telecom. In addition, despite the weak performance for many chemical companies, our holding in Lyondell Chemical was one of our strongest performers during the quarter. The company's bonds experienced a strong rally following an improvement in its financial results due to higher prices for its core products and successful cost-reduction programs. Additionally, the Company closed a large asset sale during the quarter and used the proceeds to pay down debt.

As for future opportunities, we view telecom and media as defensive industries that offer attractive growth and income

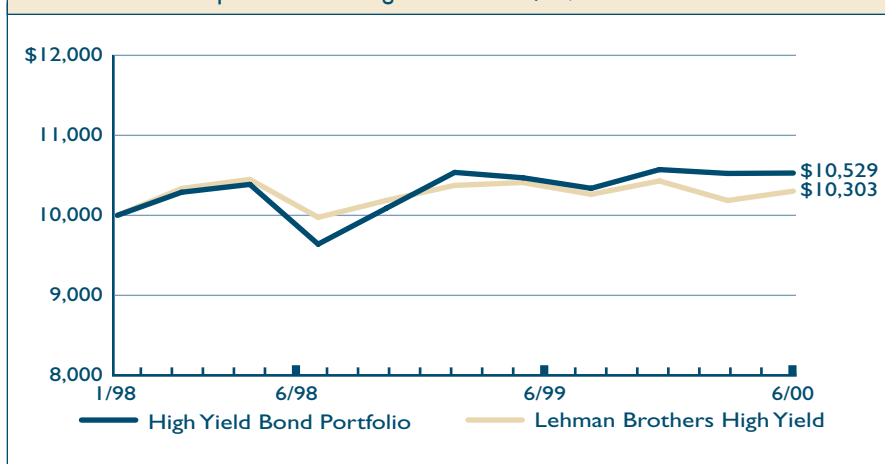
*This Portfolio carries a higher degree of risk than other bond portfolios because it invests in lower grade issues.*

# HIGH YIELD BOND PORTFOLIO

possibilities in this volatile market. Most people are not going to turn off their cable or mobile phones if the economy slows down. On the other hand, some of the big-ticket capital items may experience a slow down in consumer spending due to higher interest rates. Given the current economic environment, we like the telecom and media sectors, and we've increased our exposure to these industries by about two percent since the beginning of the year. We've taken some money off the table in some of the more cyclical industries, such as steel and paper packaging, as well as in general manufacturing. We increased holdings in gaming and energy bonds, which we also view as somewhat defensive positions. In particular, energy companies have been paying down debt and increasing their cash reserves in the event oil prices come down a bit, but we see oil prices remaining steady in the near term.

Looking ahead, we're cautiously optimistic about a recovery for the high-income market. While it's difficult to rule out further volatility given the uncertain

**High Yield Bond Portfolio and Lehman Bros. High Yield Bond Index**  
Comparison of Change in Value of \$10,000 Investment.



interest-rate environment, the high-income market has been weak for quite some time now. Yield spreads—the yield difference between non-investment grade debt and Treasuries—have widened significantly during the past year, making the yields on high-income bonds very attractive relative to other fixed-income securities. In addition, we believe the economy will remain healthy and corporate earnings will remain strong. And, ultimately, the high-yield market tracks corporate earnings.

## AVERAGE ANNUAL TOTAL RETURNS

	HIGH YIELD BOND	LEHMAN BROS. HIGH YIELD BOND INDEX
YTD	-0.41%	-1.21%
1 YEAR	0.57%	-1.02%
INCEPTION	2.09%	1.20%

*Commencement of operations January 1, 1998. Past performance is not predictive of future performance.*

*This graph compares an initial \$10,000 investment made in the High Yield Bond Portfolio (the "Portfolio") at its inception with a similar investment in the Lehman Bros. High Yield Bond Index. For the purposes of this graph and the accompanying table, the average annual total return for the Portfolio reflects all recurring expenses and includes the reinvestment of all dividends and distributions. Total return figures for periods of less than one year have not been annualized.*

*The Lehman Bros. High Yield Bond Index is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Portfolio.*

*Shares of the Portfolio are offered only through the variable products of Jefferson Pilot Financial and its affiliates. Total returns do not reflect any separate account expenses imposed on the policies which may include a premium tax charge, account fees, cost of insurance, mortality expenses and surrender charges, as applicable.*

# HIGH YIELD BOND PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
Net asset value, beginning of period	\$ 9.19	\$ 9.49	\$ 10.00
<b>Income From Investment Operations</b>			
Net investment income	0.38	0.75	0.60
Net gains and losses on securities (both realized and unrealized)	<u>(0.42)</u>	<u>(0.30)</u>	<u>(0.51)</u>
Total from investment operations	(0.04)	0.45	0.09
<b>Less Distributions to Shareholders</b>			
Dividends from net investment income		(0.75)	(0.60)
Dividends in excess of net investment income			
Distributions from capital gains			
Distributions in excess of capital gains			
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	0.00	(0.75)	(0.60)
Net asset value, end of period	<u>\$ 9.15</u>	<u>\$ 9.19</u>	<u>\$ 9.49</u>
Total Return (A)	(0.41%)	4.79%	0.89%
Ratios to Average Net Assets: (B)			
Expenses	1.17%	1.15%	1.24%
Net investment income	8.28%	7.58%	7.85%
Portfolio Turnover Rate	21.15%	43.44%	84.21%
Net Assets, At End of Period	\$10,793,942	\$9,401,814	\$7,968,843

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

COMMON STOCK—0.38%			RIGHTS AND WARRANTS—0.73%		
Company	Shares	Market Value	Company	Shares	Market Value
<b>Telecommunications – Wireline—0.38%</b>			<b>Broadcasting—0.15%</b>		
Comple Tel Holdings, LLC, Series 144A, Class B†	500	\$ 25,000	Ono Finance, PLC, Series 144A, Equity Value Certificate, due 05/31/09†	105	\$ 15,724
Viatel, Inc.†	575	16,423	<b>Telecommunications – Equipment &amp; Services—0%</b>		
		41,423	DTI Holdings, Inc., Warrants, exp. 03/01/08†	325	3
<b>TOTAL COMMON STOCK</b> (Cost \$4,841)		41,423	<b>Telecommunications – Integrated—0.03%</b>		
			Jazztel, PLC, Warrants, exp. 04/01/09†	40	3,690
<b>PREFERRED STOCK—2.20%</b>			<b>Telecommunications – Wireless—0.02%</b>		
<b>Broadcasting—0.50%</b>			American Mobile Satellite Corp., Warrants, exp. 04/01/08†	60	2,400
CSC Holdings, Inc., Series M, 11.125%, due 04/01/08	513	53,993	<b>Telecommunications – Wireline—0.53%</b>		
<b>Publishing &amp; Printing—0.52%</b>			Allegiance Telecom, Inc., Warrants, exp. 02/03/08†	100	14,013
Primedia, Inc., Series H, 8.625%, due 04/01/10	650	55,900	Versatel Telecom, B.V., Series 144A, Warrants, exp. 05/15/08†	80	43,570
<b>Telecommunications – Equipment &amp; Services—0.36%</b>					57,583
Global Crossing, Ltd., 10.500%, due 12/01/08	400	38,600	<b>TOTAL RIGHTS AND WARRANTS</b> (Cost \$4,700)		
<b>Telecommunications – Wireless—0.82%</b>					79,400
Crown Castle International Corp., 12.750%, due 12/15/10	60	60,842	<b>CORPORATE BONDS—78.91%</b>		
Rural Cellular Corp., Series B, 11.375%, due 05/15/10	30	28,203		Principal Value	
		89,045	<b>Aerospace &amp; Defense—1.91%</b>		
<b>TOTAL PREFERRED STOCK</b> (Cost \$235,642)		237,538	Argo-Tech Corp., 8.625%, due 10/01/07	\$ 40,000	28,000
			BE Aerospace, Inc., Series B, 8.000%, due 03/01/08	50,000	42,250
			K & F Industries, Inc., Series B, 9.250%, due 10/15/07	90,000	85,050
			L-3 Communications Corp., Series B, 10.375%, due 05/01/07	50,000	50,875
					206,175

†Non-income producing security.

See notes to financial statements.



# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Automotive Parts &amp; Equipment—0.69%</b>			<b>Broadcasting—Continued</b>		
Hayes Wheels International, Inc., 11.000%, due 07/15/06	\$ 57,000	\$ 56,003	Insight Midwest, LP/Insight Capital, Inc., 9.750%, due 10/01/09	\$ 90,000	\$ 88,200
Hayes Wheels International, Inc., Series B, 9.125%, due 07/15/07	20,000	17,900	Lenfest Communications, Inc., 8.375%, due 11/01/05	40,000	40,842
		<u>73,903</u>	LIN Television Corp., Zero Coupon, Step-up, due 03/01/08	160,000	105,200
<b>Broadcasting—13.03%</b>			Paxon Communications Corp., 11.625%, due 10/01/02	100,000	102,250
Adelphia Communications Corp., Series 144A, 8.375%, due 02/01/08	100,000	88,375	Telemundo Group, Inc., Series B, Zero Coupon, Step-up, due 08/15/08	125,000	86,250
Adelphia Communications Corp., 9.375%, due 11/15/09	20,000	18,500	United International Holdings, Inc., Series B, Zero Coupon, Step-up, due 02/15/08	85,000	59,500
Albritton Communications Co., Series B, 9.750%, due 11/30/07	40,000	38,400	XM Satellite Radio Inc., Series 144A, 14.000%, due 03/15/10	55,000	48,400
Chancellor Media Corp., Series B, 8.750%, due 06/15/07	40,000	40,100	Young Broadcasting, Inc., Series B, 8.750%, due 06/15/07	25,000	23,000
Chancellor Media Corp., 8.000%, due 11/01/08	50,000	50,313			<u>1,405,676</u>
Benedek Communications Corp., Zero Coupon, Step-up, due 05/15/06	80,000	56,000	<b>Building Materials—3.66%</b>		
Charter Communications Holdings, LLC, 8.250%, due 04/01/07	100,000	88,250	American Standard Companies, Inc., 7.375%, due 02/01/08	100,000	90,500
Charter Communications Holdings, LLC, Zero Coupon, Step-up, due 04/01/11	115,000	65,263	Building Materials Holding Corp., Series B, 7.750%, due 07/15/05	50,000	41,125
Citadel Broadcasting Co., 9.025%, due 11/15/08	60,000	58,200	Building Materials Holding Corp., Series B, 8.625%, due 12/15/06	65,000	54,113
CSC Holdings, Inc., Series B, 8.125%, due 08/15/09	50,000	48,645	Formica Corp., Series B, 10.875%, due 03/01/09	50,000	39,000
Cumulus Media, Inc., 10.375%, due 07/01/08	50,000	42,250	MMI Products, Inc., Series B, 11.250%, due 04/15/07	60,000	59,100
EchoStar DBS Corp., 9.375%, due 02/01/09	100,000	96,000	Nortek, Inc., 9.875%, due 03/01/04	30,000	28,500
Fox/Liberty Networks, LLC, 8.875%, due 08/15/07	55,000	54,588	Nortek, Inc., Series B, 9.250%, due 03/15/07	25,000	23,375
Frontiervision, LP, 11.000%, due 10/15/06	50,000	50,500	Nortek, Inc., Series B, 8.875%, due 08/01/08	20,000	18,100
Frontiervision Holdings, LP, Zero Coupon, Step-up, due 09/15/07	45,000	38,925	Synthetic Industries, Inc., Series 144A, 13.000%, due 12/13/00	41,250	40,631
Granite Broadcasting Corp., 10.375%, due 05/15/05	5,000	4,750			<u>394,444</u>
Granite Broadcasting Corp., 8.875%, due 05/15/08	15,000	12,975			

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Chemicals—3.05%</b>			<b>Entertainment &amp; Leisure—5.98%</b>		
Huntsman ICI Chemicals, LLC, 10.125%, due 07/01/09	\$ 100,000	\$ 100,750	Argosy Gaming Co., 10.750%, due 06/01/09	\$ 80,000	\$ 82,700
Lyondell Chemical Co., Series A, 9.625%, due 05/01/07	35,000	34,475	Aztar Corp., 8.875%, due 05/15/07	85,000	80,113
Lyondell Chemical Co., Series B, 9.875%, due 05/01/07	65,000	64,188	Boyd Gaming Corp., 9.500%, due 07/15/07	100,000	96,000
Lyondell Chemical Co., 10.875%, due 05/01/09	10,000	9,950	Coast Hotels & Casinos, Inc., 9.500%, due 04/01/09	100,000	95,000
Sovereign Specialty Chemicals, Inc., Series 144A, 11.875% due 03/15/10	45,000	46,294	Hollywood Park, Inc., Series B, 9.250%, due 02/15/07	50,000	49,750
Sterling Chemicals, Inc., Series B, 12.375%, due 07/15/06	15,000	15,225	Horseshoe Gaming, Series B, 8.625%, due 05/15/09	65,000	61,263
Sterling Chemicals, Inc., Series A, 11.250%, due 04/01/07	75,000	59,250	Isle of Capri Casinos, Inc., 8.750%, due 04/15/09	20,000	18,500
		<u>330,132</u>	MGM Grand, Inc., 9.750%, due 06/01/07	80,000	81,400
<b>Commercial Services—1.80%</b>			Station Casinos, Inc., 8.875%, due 12/01/08	85,000	80,963
Anacomp, Inc., Series B, 10.875%, due 04/01/04	95,000	60,681			<u>645,689</u>
Iron Mountain, Inc., 10.125%, due 10/01/06	25,000	25,000	<b>Financial Services—0.17%</b>		
Pierce Leahy Corp., 11.125%, due 07/15/06	30,000	30,975	Madison River Capital, LLC, Series 144A, 13.250%, due 03/01/10	20,000	18,000
Williams Scotsman, Inc., 9.875%, due 06/01/07	85,000	77,350	<b>Forest Products &amp; Paper—1.92%</b>		
		<u>194,006</u>	Buckeye Technologies, Inc., 8.500%, due 12/15/05	40,000	38,500
<b>Computer Software – Mainframe—0.49%</b>			Buckeye Technologies, Inc., 9.250%, due 09/15/08	40,000	40,000
Verio, Inc., 10.375%, due 4/01/05	50,000	52,500	Specialty Paperboard, Inc., 9.375%, due 10/15/06	70,000	67,200
<b>Cosmetics &amp; Personal Care—0.23%</b>			U.S. Timberlands Co., L.P., 9.625%, due 11/15/07	70,000	61,600
Remington Product Co., LLC, Series B, 11.000%, due 05/15/06	30,000	25,350			<u>207,300</u>
<b>Educational Services—0.47%</b>			<b>Healthcare—1.19%</b>		
Kindercare Learning Centers, Inc., Series B, 9.500%, due 02/15/09	55,000	50,600	Fresenius Medical Capital Trust II, Unit, 7.875%, due 02/01/08	35	31,150
<b>Electronic Components—0.45%</b>			Prime Medical Services, Inc., 8.750%, due 04/01/08	60,000	49,800
Moog, Inc., Series B, 10.000%, due 05/01/06	50,000	48,750	Tenet Healthcare Corp., 8.000%, due 01/15/05	50,000	48,000
					<u>128,950</u>

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Home Furnishings—1.07%</b>			<b>Manufacturing—2.10%</b>		
Sealy Mattress, Co., Series B, 9.875%, due 12/15/07	\$ 65,000	\$ 62,725	Blount International, Inc., 13.000%, due 08/01/09	\$ 75,000	\$ 76,500
Simmons Co., Series B, 10.250%, due 03/15/09	60,000	53,250	Classic Cable, Inc., 10.500%, due 03/01/10	35,000	32,288
		115,975	International Knife & Saw, Inc., 11.375%, due 11/15/06	50,000	26,000
<b>Internet Services—2.68%</b>			Polymer Group, Inc., Series B, 9.000%, due 07/01/07	50,000	42,500
Exodus Communications, Inc., 11.250%, due 07/01/08	50,000	49,500	Samsonite Corp., 10.750%, due 06/15/08	60,000	50,100
Exodus Communications, Inc., 10.750%, due 12/15/09	15,000	14,475			227,388
Exodus Communications, Inc., Series 144A, 11.625%, due 07/15/10	50,000	50,125	<b>Medical Products—0.32%</b>		
Globix Corp., 12.50% due 02/01/10	45,000	36,900	ALARIS Medical Systems, Inc., 9.750%, due 12/01/06	45,000	29,700
PSINet, Inc., 11.500%, due 11/01/08	10,000	9,400	ALARIS Medical, Inc., Zero Coupon, Step-up, due 08/01/08	30,000	4,575
PSINet, Inc., 11.000%, due 08/01/09	140,000	129,489			34,275
		289,889	<b>Mining &amp; Metals – Ferrous &amp; Nonferrous—4.42%</b>		
<b>Lodging—0.30%</b>			AK Steel Holding Corp., 9.125%, due 12/15/06	58,000	55,680
HMH Properties, Inc., Series C, 8.450%, due 12/01/08	35,000	32,419	Commonwealth Aluminum Corp., 10.750%, due 10/01/06	45,000	43,200
<b>Machinery—1.99%</b>			Earle M. Jorgensen Co., Series B, 9.500%, due 04/01/05	50,000	46,500
Columbus McKinnon Corp., 8.500%, due 04/01/08	75,000	64,500	Haynes International, Inc., 11.625%, due 09/01/04	75,000	52,500
Newcor, Inc., Series B, 9.875%, due 03/01/08	40,000	12,000	International Utility Structures, Inc., 10.750%, due 02/01/08	40,000	32,800
Numatics, Inc., Series B, 9.625%, due 04/01/08	40,000	32,000	Kaiser Aluminum & Chemical Corp., 9.875%, due 02/15/02	75,000	71,250
Simonds Industries, Inc., 10.250%, due 07/01/08	35,000	28,744	Metal Management, Inc., 10.000%, due 05/15/08	50,000	27,500
Thermadyne Holdings Corp., Zero Coupon, Step-up, due 06/01/08	150,000	54,000	Oxford Automotive, Inc., Series D, 10.125%, due 06/15/07	15,000	13,050
Thermadyne Holdings Corp., 9.875%, due 06/01/08	30,000	23,063	P & L Coal Holdings Corp., 9.625%, due 05/15/08	115,000	106,663
		214,307	WCI Steel, Inc., Series B, 10.000%, due 12/01/04	30,000	27,900
					477,043

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Office Equipment—0.18%</b>			<b>Packaging &amp; Containers—Continued</b>		
General Binding Corp., 9.375%, due 06/01/08	\$ 30,000	\$ 19,500	Riverwood International Corp., 10.250%, due 04/01/06	\$ 125,000	\$ 120,000
<b>Oil &amp; Gas – Distribution &amp; Marketing—0.49%</b>			Silgan Holdings, Inc., 9.000%, due 06/01/09	65,000	59,963
Clark USA, Inc., Trizec, 10.875%, due 12/01/05	40,000	22,000	US Can Corp., Series B, 10.125%, due 10/15/06	50,000	51,250
Clark R&M, Inc., 8.625%, due 08/15/08	40,000	31,400			436,626
		53,400	<b>Photo Equipment—0.10%</b>		
<b>Oil &amp; Gas – Integrated—0.48%</b>			Polaroid Corp., 11.500%, due 2/15/06	10,000	10,600
Pioneer Natural Resources Co., 9.625%, due 04/01/10	50,000	51,631	<b>Publishing &amp; Printing—1.08%</b>		
<b>Oil &amp; Gas Producers—2.86%</b>			Hollinger International Publishing, Inc., 9.250%, due 03/15/07	50,000	49,250
Chesapeake Energy Corp., Series B, 9.625%, due 05/01/05	90,000	87,300	Liberty Group Operating, Inc., 9.375%, due 02/01/08	20,000	16,400
Continental Resources, Inc., 10.250%, due 08/01/08	25,000	22,313	Mail-Well, Inc., Series B, 8.750%, due 12/15/08	5,000	4,200
Forest Oil Corp., 10.500%, due 01/15/06	50,000	50,875	World Color Press, Inc., 8.375%, due 11/15/08	25,000	24,150
HS Resources, Inc., 9.250%, due 11/15/06	50,000	48,625	World Color Press, Inc., 7.750%, due 02/15/09	25,000	23,145
Ocean Energy, Inc., Series B, 8.875%, due 07/15/07	100,000	99,500			117,145
		308,613	<b>Retail Stores—1.44%</b>		
<b>Oil &amp; Gas Services &amp; Equipment—0.42%</b>			Duane Reade, Inc., 9.250%, due 02/15/08	50,000	44,250
R & B Falcon Corp., 9.500%, due 12/15/08	45,000	45,225	Finlay Fine Jewellery Corp., 9.000%, due 05/01/08	10,000	8,800
<b>Packaging &amp; Containers—4.04%</b>			Finlay Fine Jewellery Corp., 8.375%, due 05/01/08	25,000	22,250
Applied Extrusion Technologies, Inc., Series B, 11.500%, due 04/01/02	25,000	25,063	Jitney-Jungle Stores America, Inc., 12.000%, due 03/01/06†	90,000	13,500
Ball Corp., 8.250%, due 08/01/08	60,000	56,400	Musicland Group, Inc., 9.000%, due 06/15/03	25,000	22,625
Gaylord Container Corp., Series B, 9.875%, due 02/15/08	65,000	51,350	Musicland Group, Inc., Series B, 9.875%, due 03/15/08	35,000	28,700
Gaylord Container Corp., Series B, 9.750%, due 06/15/07	80,000	52,000	Pathmark Stores, Inc., 11.625%, due 06/15/02	55,000	13,750
Huntsman Packaging Corp., UNIT, Series 144A, 13.000%, 06/01/10	20,000	20,600			153,875

†Non-income producing security.

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			CORPORATE BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Telecommunications – Equipment &amp; Services—4.77%</b>			<b>Telecommunications – Wireless—5.56%</b>		
DTI Holdings, Inc., Series B, Zero Coupon, Step-up, due 03/01/08	\$ 65,000	\$ 27,300	Centennial Cellular Corp., 10.750%, due 12/15/08	\$ 95,000	\$ 92,269
Global Crossing Holdings, Ltd., 9.625%, due 05/15/08	85,000	82,450	Crown Castle International Corp., 10.750%, due 08/01/11	90,000	91,238
ITC^DeltaCom, Inc., 11.000%, due 06/01/07	95,000	95,950	AMSC Acquisition Co., Inc., Series B, 12.250%, due 04/01/08	60,000	46,800
Level 3 Communications, Inc., Series 144A, 10.750%, due 03/15/08	25,000	22,455	Nextel Communications, Inc., Zero Coupon, Step-up, due 10/31/07	50,000	37,125
Level 3 Communications, Inc., 9.125%, due 05/01/08	105,000	94,238	Nextel Communications, Inc., Zero Coupon, Step-up, due 02/15/08	160,000	117,200
Metromedia Fiber Network, Inc., 10.000%, due 11/15/08	90,000	88,650	Nextel International, Inc., Zero Coupon, Step-up, due 04/15/08	70,000	45,500
NorthEast Optic Network, Inc., 12.750%, due 08/15/08	25,000	23,875	Rural Cellular Corp., Series B, 9.625%, due 05/15/08	65,000	63,050
Spectrasite Holdings, Inc., Zero Coupon, Step-up, due 07/15/08	25,000	17,375	Triton PCS, Inc., Zero Coupon, Step-up, due 05/01/08	50,000	36,250
Spectrasite Holdings, Inc., Zero Coupon, Step-up, due 04/15/09	75,000	43,875	VoiceStream Wireless Corp., 10.375%, due 11/15/09	20,000	20,700
Spectrasite, Series 144A, 10.750%, due 03/15/10	20,000	19,950	Western Wireless Corp., 10.500%, due 02/01/07	50,000	51,000
		<u>516,118</u>			<u>601,132</u>
<b>Telecommunications – Integrated—3.46%</b>			<b>Telecommunications – Wireline—4.97%</b>		
Hyperion Telecommunications, Inc., 12.000%, due 11/01/07	55,000	51,700	Allegiance Telecom, Inc., Series B, Zero Coupon, Step-up, due 02/15/08	75,000	54,375
MGC Communications, Inc., Series 144A, 13.000%, due 04/01/10	75,000	70,500	Allegiance Telecom, Inc., 12.875%, due 05/15/08	85,000	92,013
NEXTLINK Communications, Inc., 9.625%, due 10/01/07	30,000	28,275	Focal Communications Corp., Series B, Zero Coupon, Step-up, due 02/15/08	35,000	23,625
NEXTLINK Communications, Inc., 10.750%, due 06/01/09	90,000	88,650	Focal Communications Corp., Series 144A, 11.875%, due 01/15/10	65,000	65,325
NTL, Inc., Series B, Zero Coupon, Step-up, due 04/01/08	175,000	109,375	GT Group Telecom, Inc., UNIT, Zero Coupon, Step-up, due 02/01/10	100,000	55,500
NTL Communications Corp., Series B, Zero Coupon, Step-up, due 10/01/08	40,000	25,400	ICG Holdings, Inc., Zero Coupon, Step-up, due 05/01/06	60,000	49,650
		<u>373,900</u>	MJD Communications, Inc., Series B, 9.500%, due 05/01/08	45,000	40,050
			NorthPoint Communications Group, Inc., Series 144A, 12.875%, due 02/15/10	35,000	25,200
			Time Warner Telecom, LLC, 9.750%, due 07/15/08	55,000	53,213
			Viatel, Inc., 11.250%, due 04/15/08	55,000	40,700
			Viatel, Inc., Zero Coupon, Step-up, due 04/15/08	85,000	38,250
					<u>537,901</u>

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

CORPORATE BONDS—CONTINUED			FOREIGN BONDS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Textiles &amp; Apparel—0.50%</b>			<b>Chemicals—0.17%</b>		
J. Crew Operating Corp., 10.375%, due 10/15/07	\$ 55,000	\$ 45,100	PCI Chemicals Canada, Inc., 9.250%, due 10/15/07	\$ 30,000	\$ 18,600
J. Crew Group, Series B, Zero Coupon, Step-up, due 10/15/08	15,000	8,138	<b>Financial Services—0.92%</b>		
		53,238	Ono Finance, PLC, UNIT, 13.000%, due 05/01/09	105,000	99,225
<b>Transportation—0.64%</b>			<b>Insurance—0.62%</b>		
GulfMark Offshore, Inc., 8.750%, due 06/01/08	75,000	69,563	Willis Corroon Corp., 9.000%, due 02/01/09	80,000	67,200
<b>TOTAL CORPORATE BONDS</b> (Cost \$9,398,219)		8,521,238	<b>Lodging—0.45%</b>		
<b>FOREIGN BONDS—14.00%</b>			Prime Hospitality Corp., Series B, 9.750%, due 04/01/07	50,000	48,250
<b>Aerospace &amp; Defense—0.34%</b>			<b>Mining &amp; Metals – Ferrous &amp; Nonferrous—0.48%</b>		
Satelites Mexicanos, S.A., de CV, Series B, 10.125%, due 11/01/04	55,000	36,850	Russel Metals, Inc., UNIT, 10.000%, due 06/01/09	55,000	52,319
<b>Beverages—0.15%</b>			<b>Telecommunications – Equipment &amp; Services—0.50%</b>		
Fage Dairy Industries, SA, 9.000%, due 02/01/07	20,000	16,000	Energis, PLC, 9.750%, due 06/15/09	55,000	53,900
<b>Broadcasting—2.65%</b>			<b>Telecommunications – Integrated—0.30%</b>		
Callahan Nordrhein-Westfalen, Series 144A, 14.000%, due 07/15/10	60,000	60,000	Jazztel, PLC, 14.000%, due 04/01/09	35,000	31,850
TeleWest Communications, PLC, 9.625%, due 10/01/06	45,000	42,075	<b>Telecommunications – Wireless—1.38%</b>		
Telewest Communications, PLC, Zero Coupon, Step-up, due 10/01/07	25,000	23,688	Dolphin Telecom, PLC, Zero Coupon, Step-up, due 06/01/08	100,000	37,500
Telewest Communications, PLC, Series 144A, 9.875%, due 02/01/10	10,000	9,300	Dolphin Telecom, PLC, Series B, Zero Coupon, Step-up, due 05/15/09	25,000	8,750
Telewest Communications, PLC, Series 144A, Zero Coupon, Step-up, due 02/01/10	50,000	26,750	Millicom International Cellular, S.A., Zero Coupon, Step-up, due 06/01/06	85,000	72,250
United Pan-Europe Communications, N.V., Series B, 10.875%, due 08/01/09	100,000	87,000	PTC International Finance II, SA, 11.250%, due 02/01/09	30,000	30,450
United Pan-Europe Communications, N.V., Series B, 11.250%, due 02/01/10	40,000	35,600			148,950
		284,413			

See notes to financial statements.

# HIGH YIELD BOND PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)—CONTINUED

## FOREIGN BONDS—CONTINUED

Company	Principal Value	Market Value
<b>Telecommunications – Wireline—6.04%</b>		
360 Networks, Inc., 13.000%, due 07/15/07	\$ 20,000	\$ 20,175
Comple Tel Europe, N.V., Series B, Zero Coupon, Step-up due 02/15/09	50,000	25,000
Colt Telecom Group, PLC, Zero Coupon, Step-up, due 12/15/06	135,000	118,969
Esat Telecom Group, PLC, Series B, 11.875%, due 12/01/08	100,000	117,750
Esprit Telecom Group, PLC, 10.875%, due 06/15/08	50,000	34,000
Hermes Europe Railtel, B.V., 10.375%, due 01/15/09	75,000	61,125
MetroNet Communications Corp., Zero Coupon, Step-up, due 11/01/07	25,000	21,958
Tele1 Europe, B.V., 13.000%, due 05/15/09	100,000	101,500
Versatel Telecom, B.V., 13.250%, due 05/15/08	80,000	81,400
Worldwide Fiber, Inc., 12.000%, due 8/01/09	75,000	70,875
		<u>652,752</u>
<b>TOTAL FOREIGN BONDS</b> (Cost \$1,640,251)		<u>1,510,309</u>
<b>TOTAL INVESTMENTS</b> (Cost \$11,283,653)	96.22%	10,389,908
Other assets, less liabilities	<u>3.78</u>	<u>404,034</u>
<b>TOTAL NET ASSETS</b>	<u>100.00%</u>	<u>\$ 10,793,942</u>

See notes to financial statements.



# MONEY MARKET PORTFOLIO

*“While the Fed refrained from raising interest rates during its last meeting, we don’t believe the possibility of future interest rates hikes can be ruled out.”*

—Jean O. Alessandro, Portfolio Manager—

## INCEPTION DATE

August 1, 1985

## FUND MANAGER

Massachusetts Financial Services Company

## INVESTMENT OBJECTIVE AND STRATEGY

To achieve the highest possible current income, consistent with preservation of capital and maintenance of liquidity.

## NET ASSETS AS OF 6/30/00

\$30,447,742

## NUMBER OF HOLDINGS

24

## DOLLAR WEIGHTED AVERAGE MATURITY

30.6 days

## IN THIS SECTION

Portfolio Facts

Portfolio  
Composition

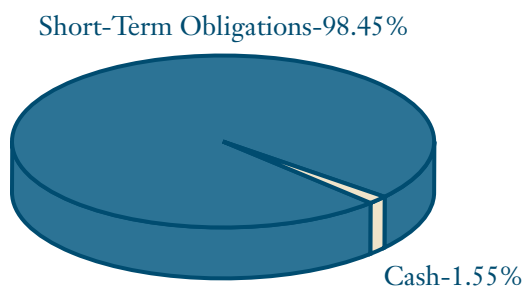
Financial Highlights

Schedule of  
Portfolio Investments

## JEAN O. ALESSANDRO

- Joined MFS in 1986
- Assistant Vice President of MFS Investment Management
- Bachelors degree from the University of Connecticut

# MONEY MARKET PORTFOLIO



PORTFOLIO QUALITY	PERCENT OF PORTFOLIO‡
AAA	100.00%

‡Represents market value of investments plus cash.

The Portfolio seeks as high a level of current income as is considered consistent with the preservation of capital and liquidity by investing in short-term money market securities issued or guaranteed by the U.S. Treasury, its agencies, or instrumentalities of the U.S. government, as well as in the highest-quality corporate and bank issues, in order to minimize credit risk.

Despite some signs of moderating economic growth in the second quarter of 2000, the U.S. economy continued to grow steadily and unemployment fell to 30-year lows. Historically, these conditions have caused inflation to accelerate, and the Federal Reserve Board (the Fed) moved to contain the inflationary pressures that usually accompany this backdrop.

While the Fed refrained from raising interest rates during its last meeting, we don't believe the possibility of future interest rates hikes can be ruled out. Current consensus is that the Federal Reserve will raise the discount and Fed funds rate at least 0.25 basis points. The range of estimates is for a 0.25 basis points increase to a 0.50 basis points increase by year-end. This increase will most likely come at the end of August with some analysts predicting another increase of 0.25 basis points in December. The Federal Reserve has raised rates three times already this year for a total increase of 100 basis points.

We continue to limit the Portfolio's investments to securities issued or guaranteed by the U.S. Treasury, agencies, or instrumentalities of the U.S. government, as well as to the highest quality corporate and bank issues, in order to provide maximum security against credit risk. On June 30, 2000, approximately 35% of the portfolio was invested in high-quality commercial paper, with the balance invested in U.S. government or government-guaranteed issues.

*An investment in the Money Market Portfolio is neither insured nor guaranteed by the FDIC or any other U.S. Government agency.*

# MONEY MARKET PORTFOLIO

FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD

## FINANCIAL HIGHLIGHTS

	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995
Net asset value, beginning of period	\$ 10.85	\$ 10.37	\$ 10.23	\$ 10.25	\$ 10.27	\$ 10.25
<b>Income From Investment Operations</b>						
Net investment income	0.32	0.44	0.35	0.52	0.50	0.50
Net gains and losses on securities (both realized and unrealized)	<u>(0.04)</u>	<u>0.04</u>	<u>0.14</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>0.02</u>
Total from investment operations	0.28	0.48	0.49	0.50	0.48	0.52
<b>Less Distributions to Shareholders</b>						
Dividends from net investment income	(0.32)		(0.35)	(0.52)	(0.50)	(0.50)
Dividends in excess of net investment income	(0.22)					
Distributions from capital gains						
Distributions in excess of capital gains						
Returns of capital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total distributions	(0.54)	0.00	(0.35)	(0.52)	(0.50)	(0.50)
Net asset value, end of period	<u>\$ 10.59</u>	<u>\$ 10.85</u>	<u>\$ 10.37</u>	<u>\$ 10.23</u>	<u>\$ 10.25</u>	<u>\$ 10.27</u>
Total Return (A)	2.76%	4.57%	4.86%	4.86%	4.65%	5.06%
Ratios to Average Net Assets: (B)						
Expenses	0.57%	0.60%	0.64%	0.60%	0.62%	0.63%
Net investment income	5.45%	4.46%	4.74%	4.74%	4.54%	4.89%
Portfolio Turnover Rate (C)	N/A	N/A	N/A	N/A	N/A	N/A
Net Assets, At End of Period	\$30,447,742	\$36,381,953	\$24,416,645	\$9,435,454	\$7,896,257	\$8,312,676

(A) Total return assumes reinvestment of all dividends during the period and does not reflect deduction of account fees and charges that apply to the separate account or related insurance policies. Investment returns and principal values will fluctuate and shares, when redeemed, may be worth more or less than the original cost. Total return figures for periods of less than one year have not been annualized.

(B) Per share data and ratios are calculated on an annualized basis.

(C) There were no purchases and/or sales of securities other than short term obligations during the period. Therefore, the portfolio turnover rate has not been calculated.

# MONEY MARKET PORTFOLIO

SCHEDULE OF PORTFOLIO INVESTMENTS AS OF JUNE 30, 2000 (UNAUDITED)

SHORT-TERM OBLIGATIONS—99.78%			SHORT-TERM OBLIGATIONS—CONTINUED		
Company	Principal Value	Market Value	Company	Principal Value	Market Value
<b>Aerospace &amp; Defense—3.27%</b>			<b>Government Agency—Continued</b>		
United Technologies Corp., 6.570%, due 07/28/00	\$1,000,000	\$ 995,073	Federal Home Loan Mortgage Corp., 6.450%, due 08/10/00	\$1,000,000	\$ 992,833
<b>Agricultural Operations—2.78%</b>			Federal Home Loan Mortgage Corp., 6.420%, due 08/15/00	1,500,000	1,487,963
Archer-Daniels-Midland Co., 6.550%, due 07/21/00	850,000	846,907	Federal National Mortgage Association, 6.440%, due 07/07/00	1,200,000	1,196,565
<b>Financial Services—22.89%</b>			Federal National Mortgage Association, 6.370%, due 07/11/00	1,000,000	998,230
American Express Co., 6.480%, due 07/06/00	1,000,000	999,100	Federal National Mortgage Association, 6.400%, due 07/19/00	1,500,000	1,495,200
Bell Atlantic Network Funding, 6.550%, due 08/16/00	1,000,000	991,631	Federal National Mortgage Association, 6.420%, due 08/03/00	1,000,000	994,115
Ford Motor Credit Co., 6.480%, due 07/10/00	1,000,000	998,380	Federal National Mortgage Association, 6.510%, due 08/24/00	1,800,000	1,782,495
Gannett Co., Inc., 6.550%, due 07/20/00	1,000,000	996,543			19,587,650
International Business Machine Corp., 6.510%, 07/12/00	1,000,000	998,011	<b>Oil &amp; Gas Services &amp; Equipment—3.24%</b>		
McGraw-Hill Companies Inc., The, 6.530%, due 08/08/00	1,000,000	993,107	Halliburton Co., 6.560%, due 09/18/00	1,000,000	985,684
Morgan Stanley Dean Witter & Co., 6.090%, due 08/28/00	1,000,000	989,318	<b>Telecommunications – Integrated—3.28%</b>		
		6,966,090	SBC Communications, Inc., 6.460%, due 07/07/00	1,000,000	998,923
<b>Government Agency—64.32%</b>			<b>TOTAL SHORT-TERM OBLIGATIONS</b>		
Federal Home Loan Bank, 6.480%, due 07/03/00	1,700,000	1,699,388	(Cost \$30,379,045)		30,380,327
Federal Home Loan Bank, 6.460%, due 09/05/00	1,395,000	1,378,955	<b>TOTAL INVESTMENTS</b>		
Federal Home Loan Bank, 6.460%, due 09/08/00	1,000,000	987,959	(Cost \$30,379,045)	99.78%	30,380,327
Federal Farm Credit Bank, 6.420%, due 09/13/00	1,500,000	1,480,590	Other assets, less liabilities	0.22	67,415
Federal Home Loan Mortgage Corp., 6.360%, due 07/05/00	3,800,000	3,797,292	<b>TOTAL NET ASSETS</b>		
Federal Home Loan Mortgage Corp., 6.410%, due 07/18/00	1,300,000	1,296,065		100.00%	\$ 30,447,742

See notes to financial statements.

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# STATEMENT OF ASSETS AND LIABILITIES

**June 30, 2000 (Unaudited)**

	International Equity Portfolio	World Growth Stock Portfolio	Global Hard Assets Portfolio	Emerging Growth Portfolio	Capital Growth Portfolio
<b>Assets</b>					
Investments, at cost-see accompanying portfolios	<u>\$37,237,756</u>	<u>\$112,492,587</u>	<u>\$5,771,697</u>	<u>\$151,105,970</u>	<u>\$230,725,275</u>
Investments, at market value (Notes B and C)	\$40,550,914	\$133,556,137	\$5,865,865	\$205,074,465	\$401,421,191
Cash	1,905,985	3,775,559	60,480	29,547	12,036,924
Accrued investment income	107,982	617,634	14,916	48,174	52,021
Receivable for portfolio securities sold		160,079	172,821	8,835,540	
Receivable for foreign currency contracts				1,570	
Receivable for daily variation on futures contracts					
Other assets			2,384		
<b>Total Assets</b>	<u>42,564,881</u>	<u>138,109,409</u>	<u>6,116,466</u>	<u>213,989,296</u>	<u>413,510,136</u>
<b>Liabilities</b>					
Payable for portfolio securities purchased	420,843		256,085	8,983,432	
Payable for foreign currency contracts					
Accrued investment advisory fees (Note D)	34,930	83,763	3,931	131,730	327,965
Accrued expenses	6,561	5,955	980	11,782	19,391
Other liabilities			2,384		
<b>Total Liabilities</b>	<u>462,334</u>	<u>89,718</u>	<u>263,380</u>	<u>9,126,944</u>	<u>347,356</u>
<b>NET ASSETS</b>	<u>\$42,102,547</u>	<u>\$138,019,691</u>	<u>\$5,853,086</u>	<u>\$204,862,352</u>	<u>\$413,162,780</u>
<b>Net Assets Consist of:</b>					
Par value	\$ 30,016	\$ 52,223	\$ 6,535	\$ 56,048	\$ 102,697
Capital paid in	37,537,755	101,439,334	9,490,642	119,345,462	230,464,177
Undistributed net investment income (loss)	(65,974)	1,004,659	46,938	(389,262)	(1,302,428)
Accumulated net realized gain (loss)	1,280,948	14,436,761	(3,785,176)	31,883,320	13,202,418
Net unrealized gain (loss) on investments	3,313,158	21,063,550	94,168	53,968,495	170,695,916
Net unrealized loss on futures contracts					
Net unrealized gain (loss) on translation of assets and liabilities in foreign currency	<u>6,644</u>	<u>23,164</u>	<u>(21)</u>	<u>(1,711)</u>	
<b>NET ASSETS</b>	<u>\$42,102,547</u>	<u>\$138,019,691</u>	<u>\$5,853,086</u>	<u>\$204,862,352</u>	<u>\$413,162,780</u>
Shares of common stock outstanding (\$0.01 par value, 1,000,000,000 shares authorized)	<u>3,001,565</u>	<u>5,222,301</u>	<u>653,551</u>	<u>5,604,906</u>	<u>10,269,738</u>
Net asset value, offering & redemption price per share	<u>\$ 14.03</u>	<u>\$ 26.43</u>	<u>\$ 8.96</u>	<u>\$ 36.55</u>	<u>\$ 40.23</u>

See notes to financial statements.

## STATEMENT OF ASSETS AND LIABILITIES

Small Company Portfolio	Growth Portfolio	S&P 500 Index Portfolio	Value Portfolio	Balanced Portfolio	High Yield Bond Portfolio	Money Market Portfolio
<u>\$80,684,554</u>	<u>\$53,218,752</u>	<u>\$173,398,578</u>	<u>\$70,681,307</u>	<u>\$47,482,914</u>	<u>\$11,283,653</u>	<u>\$30,379,045</u>
\$81,226,211	\$66,146,689	\$173,697,002	\$70,445,357	\$52,813,087	\$10,389,908	\$30,380,327
3,729,609	6,738,891	5,942,266	5,933,206	5,165,582	237,461	478,707
18,409	28,385	174,725	169,252	493,844	228,502	624
36,179	2,381,713	911,695	3,422,990	569,434	58,093	2,900,000
				151		
		42,290				
<u>85,010,408</u>	<u>75,295,678</u>	<u>180,767,978</u>	<u>79,970,805</u>	<u>59,042,098</u>	<u>10,913,964</u>	<u>33,759,658</u>
4,648	1,326,731	476,429	2,006,477	182,403	110,000	3,298,802
					116	
50,846	43,014	35,380	49,949	35,740	6,762	12,340
2,816	3,416	2,355	7,312	2,366	3,144	774
<u>58,310</u>	<u>1,373,161</u>	<u>514,164</u>	<u>2,063,738</u>	<u>220,509</u>	<u>120,022</u>	<u>3,311,916</u>
<u>\$84,952,098</u>	<u>\$73,922,517</u>	<u>\$180,253,814</u>	<u>\$77,907,067</u>	<u>\$58,821,589</u>	<u>\$10,793,942</u>	<u>\$30,447,742</u>
\$ 52,797	\$ 30,783	\$ 179,741	\$ 44,725	\$ 40,734	\$ 11,796	\$ 28,738
86,794,787	56,086,925	179,563,575	76,771,546	50,359,047	11,768,824	29,588,725
(230,012)	(97,074)	315,597	454,596	786,812	446,810	830,263
(2,207,131)	4,973,946	(523)	872,150	2,304,842	(539,642)	(1,266)
541,657	12,927,937	298,424	(235,950)	5,330,173	(893,745)	1,282
		(103,000)				
				(19)	(101)	
<u>\$84,952,098</u>	<u>\$73,922,517</u>	<u>\$180,253,814</u>	<u>\$77,907,067</u>	<u>\$58,821,589</u>	<u>\$10,793,942</u>	<u>\$30,447,742</u>
<u>5,279,685</u>	<u>3,078,374</u>	<u>17,974,073</u>	<u>4,472,556</u>	<u>4,073,339</u>	<u>1,179,585</u>	<u>2,873,801</u>
<u>\$ 16.09</u>	<u>\$ 24.01</u>	<u>\$ 10.03</u>	<u>\$ 17.42</u>	<u>\$ 14.44</u>	<u>\$ 9.15</u>	<u>\$ 10.59</u>



## STATEMENT OF OPERATIONS

## For the Period Ended June 30, 2000 (Unaudited)

	International Equity Portfolio	World Growth Stock Portfolio	Global Hard Assets Portfolio	Emerging Growth Portfolio	Capital Growth Portfolio
<b>Investment Income</b>					
Income					
Interest	\$ 32,207	\$ 66,968	\$ 13,404	\$ 414,171	\$ 220,104
Dividends	272,076	1,998,907	71,535	138,136	613,366
Foreign taxes withheld	(18,755)	(161,423)	(3,179)	(9,471)	(28,379)
Total investment income	<u>285,528</u>	<u>1,904,452</u>	<u>81,760</u>	<u>542,836</u>	<u>805,091</u>
Expenses:					
Advisory fees (Note D)	195,856	497,968	21,283	790,413	1,989,913
Custodian fees	21,567	34,184	5,581	43,663	1,999
Shareholder reports	7,498	22,312	948	33,209	74,588
Professional fees	2,145	7,319	311	10,927	23,502
Insurance expense	118	404	17	601	1,619
Directors fees	437	1,493	64	2,210	4,705
Security valuation	5,092	7,857	3,269	6,822	1,296
Miscellaneous expenses	966	3,291	140	4,902	9,897
Gross expenses	233,679	574,828	31,613	892,747	2,107,519
Expenses paid by JPIA (Note D)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net expenses	233,679	574,828	31,613	892,747	2,107,519
Net investment income (loss)	<u>51,849</u>	<u>1,329,624</u>	<u>50,147</u>	<u>(349,911)</u>	<u>(1,302,428)</u>
<b>Realized and Unrealized Gain (Loss) on Investments and Foreign Currency</b>					
Net realized gain (loss) on investments	1,399,107	14,436,761	42,738	32,229,907	13,212,517
Net realized gain on futures contracts					
Net realized gain (loss) from foreign currency transactions	(91,704)	(128,529)	(2,640)	(2,918)	
Net unrealized gain (loss) on investments	(3,834,271)	(10,114,208)	(17,364)	(36,124,377)	13,879,340
Net unrealized loss on futures contracts					
Net unrealized gain (loss) on translation of assets and liabilities in foreign currency	<u>6,848</u>	<u>42,843</u>	<u>(12)</u>	<u>(4,058)</u>	<u>          </u>
Net realized and unrealized gain (loss) on investments and foreign currency	<u>(2,520,020)</u>	<u>4,236,867</u>	<u>22,722</u>	<u>(3,901,446)</u>	<u>27,091,857</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (2,468,171)</u>	<u>\$ 5,566,491</u>	<u>\$ 72,869</u>	<u>\$ (4,251,357)</u>	<u>\$ 25,789,429</u>

See notes to financial statements.

## STATEMENT OF OPERATIONS

Small Company Portfolio	Growth Portfolio	S&P 500 Index Portfolio	Value Portfolio	Balanced Portfolio	High Yield Bond Portfolio	Money Market Portfolio
\$ 78,316	\$ 137,021	\$ 39,068	\$ 111,958	\$ 931,366	\$ 502,406	\$ 917,306
58,248	32,544	362,181	659,188	99,624	6,304	
	(478)	(4,828)	(4,847)	(2,363)		
<u>136,564</u>	<u>169,087</u>	<u>396,421</u>	<u>766,299</u>	<u>1,028,627</u>	<u>508,710</u>	<u>917,306</u>
329,775	233,049	69,278	281,340	175,985	40,356	76,179
10,030	14,239	7,084	4,697	7,131	7,345	2,487
14,894	10,229	7,989	14,752	9,245	1,805	5,153
4,886	3,384	3,502	4,791	3,035	592	1,685
269	240	483	339	215	33	119
990	682	587	991	618	121	344
5,121	2,872	4,098	2,723	4,444	12,561	345
2,190	1,466	3,938	2,070	1,317	266	731
<u>368,155</u>	<u>266,161</u>	<u>96,959</u>	<u>311,703</u>	<u>201,990</u>	<u>63,079</u>	<u>87,043</u>
		(16,135)				
368,155	266,161	80,824	311,703	201,990	63,079	87,043
<u>(231,591)</u>	<u>(97,074)</u>	<u>315,597</u>	<u>454,596</u>	<u>826,637</u>	<u>445,631</u>	<u>830,263</u>
1,746,644	5,132,010	(39,388)	1,010,666	2,312,294	(112,820)	(68)
		38,865				
(11,543,669)	(1,589,856)	298,424	(3,022,952)	(9,204)	1,179	(40)
		(103,000)		(2,162,723)	(378,907)	
				(2,222)	(101)	
<u>(9,797,025)</u>	<u>3,542,154</u>	<u>194,901</u>	<u>(2,012,286)</u>	<u>138,145</u>	<u>(490,649)</u>	<u>(108)</u>
<u><u>\$(10,028,616)</u></u>	<u><u>\$ 3,445,080</u></u>	<u><u>\$ 510,498</u></u>	<u><u>\$ (1,557,690)</u></u>	<u><u>\$ 964,782</u></u>	<u><u>\$ (45,018)</u></u>	<u><u>\$ 830,155</u></u>

## STATEMENT OF CHANGES IN NET ASSETS

	International Equity Portfolio		World Growth Stock Portfolio		Global Hard Assets Portfolio	
	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999
<b>Increase (decrease) in net assets:</b>						
Net investment income (loss)	\$ 51,849	\$ (12,916)	\$ 1,329,624	\$ 2,119,222	\$ 50,147	\$ 87,486
Net realized gain (loss) on security transactions	1,399,107	2,863,886	14,436,761	2,002,877	42,738	(106,911)
Net realized gain (loss) from foreign currency transactions	(91,704)	(41,980)	(128,529)	(65,980)	(2,640)	(8,795)
Net unrealized gain (loss) on investments	(3,834,271)	5,181,215	(10,114,208)	19,470,411	(17,364)	758,154
Net unrealized gain (loss) on translation of assets and liabilities in foreign currency	<u>6,848</u>	<u>41,176</u>	<u>42,843</u>	<u>(25,501)</u>	<u>(12)</u>	<u>338</u>
Net increase (decrease) in net assets resulting from operations	(2,468,171)	8,031,381	5,566,491	23,501,029	72,869	730,272
Distribution to shareholders from net investment income			(1,814,768)	(369,547)	(69,014)	(5,738)
Distribution to shareholders from capital gains	(2,889,915)		(1,975,834)	(1,361,644)		
Increase (decrease) in net assets derived from shareholder transactions (Note E)	<u>11,820,252</u>	<u>11,032,719</u>	<u>3,216,794</u>	<u>359,867</u>	<u>324,505</u>	<u>466,529</u>
Net increase (decrease) in net assets	6,462,166	19,064,100	4,992,683	22,129,705	328,360	1,191,063
<b>NET ASSETS:</b>						
Beginning of Period	<u>35,640,381</u>	<u>16,576,281</u>	<u>133,027,008</u>	<u>110,897,303</u>	<u>5,524,726</u>	<u>4,333,663</u>
End of Period	<u>\$42,102,547</u>	<u>\$35,640,381</u>	<u>\$138,019,691</u>	<u>\$133,027,008</u>	<u>\$5,853,086</u>	<u>\$5,524,726</u>
Undistributed net investment income (loss)	<u>\$ (65,974)</u>	<u>\$ (26,119)</u>	<u>\$ 1,004,659</u>	<u>\$ 1,618,332</u>	<u>\$ 46,938</u>	<u>\$ 68,445</u>

See notes to financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

Emerging Growth Portfolio		Capital Growth Portfolio		Small Company Portfolio	
(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999
\$ (349,911)	\$ (484,703)	\$ (1,302,428)	\$ (1,097,039)	\$ (231,591)	\$ (110,303)
32,229,907	19,583,258	13,212,517	17,603,105	1,746,644	(4,075,104)
(2,918)	(53,344)				
(36,124,377)	60,477,704	13,879,340	90,958,724	(11,543,669)	15,549,849
(4,058)	2,366		(74)		
(4,251,357)	79,525,281	25,789,429	107,464,716	(10,028,616)	11,364,442
					(104,318)
(18,808,455)		(17,514,623)	(6,500,203)		(1,941,991)
<u>38,449,216</u>	<u>14,152,290</u>	<u>39,023,575</u>	<u>66,897,435</u>	<u>1,989,175</u>	<u>5,329,758</u>
15,389,404	93,677,571	47,298,381	167,861,948	(8,039,441)	14,647,891
<u>189,472,948</u>	<u>95,795,377</u>	<u>365,864,399</u>	<u>198,002,451</u>	<u>92,991,539</u>	<u>78,343,648</u>
<u>\$204,862,352</u>	<u>\$189,472,948</u>	<u>\$413,162,780</u>	<u>\$365,864,399</u>	<u>\$84,952,098</u>	<u>\$92,991,539</u>
<u>\$ (389,262)</u>	<u>\$ (36,433)</u>	<u>\$ (1,302,428)</u>	<u>\$ 0</u>	<u>\$ (230,012)</u>	<u>\$ 1,579</u>

## STATEMENT OF CHANGES IN NET ASSETS

	Growth Portfolio		S&P 500 Index Portfolio	Value Portfolio	
	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Period from May 1, 2000 through June 30, 2000	(Unaudited) Six Months Ended June 31, 1999	Year Ended December 31, 1999
<b>Increase (decrease) in net assets:</b>					
Net investment income (loss)	\$ (97,074)	\$ (108,379)	\$ 315,597	\$ 454,596	\$ 650,206
Net realized gain (loss) on security transactions	5,132,010	4,619,061	(39,388)	1,010,666	7,959,217
Net realized gain on futures contracts			38,865		
Net realized gain (loss) from foreign currency transactions					
Net unrealized gain (loss) on investments	(1,589,856)	12,117,757	298,424	(3,022,952)	(4,805,279)
Net unrealized loss on futures contracts			(103,000)		
Net unrealized gain (loss) on translation of assets and liabilities in foreign currency					
Net increase (decrease) in net assets resulting from operations	3,445,080	16,628,439	510,498	(1,557,690)	3,804,144
Distribution to shareholders from net investment income				(648,155)	
Distribution to shareholders from capital gains	(4,572,296)	(165,744)		(8,077,932)	(517,197)
Increase (decrease) in net assets derived from shareholder transactions (Note E)	<u>30,715,513</u>	<u>16,327,783</u>	<u>179,743,316</u>	<u>11,766,670</u>	<u>7,827,697</u>
Net increase (decrease) in net assets	29,588,297	32,790,478	180,253,814	1,482,893	11,114,644
<b>NET ASSETS:</b>					
Beginning of Period	<u>44,334,220</u>	<u>11,543,742</u>	<u>0</u>	<u>76,424,174</u>	<u>65,309,530</u>
End of Period	<u>\$73,922,517</u>	<u>\$44,334,220</u>	<u>\$180,253,814</u>	<u>\$77,907,067</u>	<u>\$76,424,174</u>
Undistributed net investment income (loss)	<u>\$ (97,074)</u>	<u>\$ 0</u>	<u>\$ 315,597</u>	<u>\$ 454,596</u>	<u>\$ 648,155</u>

See notes to financial statements.

## STATEMENT OF CHANGES IN NET ASSETS

Balanced Portfolio		High Yield Bond Portfolio		Money Market Portfolio	
(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999	(Unaudited) Six Months Ended June 30, 2000	Year Ended December 31, 1999
\$ 826,637	\$1,088,188	\$ 445,631	\$ 771,576	\$ 830,263	\$1,459,257
2,312,294	3,234,523	(112,820)	(240,738)	(68)	(307)
(9,204)	7,471	1,179	(25)		
(2,162,723)	5,096,361	(378,907)	(94,693)	(40)	3,884
<u>(2,222)</u>	<u>(4,667)</u>	<u>(101)</u>			
964,782	9,421,876	(45,018)	436,120	830,155	1,462,834
(1,118,262)	(7,596)		(771,551)	(1,459,257)	
(2,957,773)	(703,150)				
<u>8,619,424</u>	<u>9,488,534</u>	<u>1,437,146</u>	<u>1,768,402</u>	<u>(5,305,109)</u>	<u>10,502,474</u>
5,508,171	18,199,664	1,392,128	1,432,971	(5,934,211)	11,965,308
<u>53,313,418</u>	<u>35,113,754</u>	<u>9,401,814</u>	<u>7,968,843</u>	<u>36,381,953</u>	<u>24,416,645</u>
<u>\$58,821,589</u>	<u>\$53,313,418</u>	<u>\$10,793,942</u>	<u>\$9,401,814</u>	<u>\$30,447,742</u>	<u>\$36,381,953</u>
<u>\$ 786,812</u>	<u>\$ 1,087,641</u>	<u>\$ 446,810</u>	<u>\$ 0</u>	<u>\$ 830,263</u>	<u>\$ 1,459,257</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

## NOTE A—ORGANIZATION

Jefferson Pilot Variable Fund, Inc. (the “Company”) is a diversified open-end series management investment company registered under the Investment Company Act of 1940, as amended. The Company was incorporated under the laws of the State of Maryland on October 19, 1984 for the purpose of funding flexible premium variable life insurance policies and variable annuity contracts issued by Jefferson Pilot Financial Insurance Company and its affiliates. The Company is composed of twelve separate portfolios (the “Portfolios”): the International Equity Portfolio, the World Growth Stock Portfolio, the Global Hard Assets Portfolio, the Emerging Growth Portfolio, the Capital Growth Portfolio, the Small Company Portfolio, the Growth Portfolio, the S&P 500 Index Portfolio, the Value Portfolio, the Balanced Portfolio, the High Yield Bond Portfolio, and the Money Market Portfolio.

## NOTE B—SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with generally accepted accounting principles which require management to make certain estimates and assumptions at the date of the financial statements. The following summarizes the significant accounting policies of the Company:

**Valuation of Investments:** Investment securities are valued at the closing sales price on the exchange on which such securities are principally traded; securities traded in the over-the-counter market and securities traded on a national exchange for which no sales took place on the day of valuation are valued at the bid price at the close of trading. Quotations for foreign securities are in United States dollars and, accordingly, unrealized gains and losses on these securities reflect all foreign exchange fluctuations. Restricted securities are valued at fair value as determined in good faith by the Board of Directors. Short-term debt instruments with a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value.

**Investment Security Transactions:** Investment security transactions are recorded as of the trade date, the date the order to buy or sell is executed. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

**Distributions to Shareholders:** Distributions to shareholders from ordinary income and net realized capital gains are declared and distributed at least once annually. Distributions to shareholders are recorded on the ex-dividend date.

The Company distinguishes between dividends on a tax basis and a financial reporting basis and only distributions in excess of tax basis earnings and profits are reported in the financial statements as a return of capital. Differences in the recognition or classification of income between the financial statements and tax earnings and profits which result in temporary over-distributions for financial statement purposes are classified as dividends in excess of net investment income or accumulated net realized gains.

**Foreign Currency Transactions:** Certain Portfolios may engage in portfolio transactions that are denominated in foreign currency. All related receivables and payables are marked to market daily based on the most recent exchange rates listed at the close of the New York Stock Exchange.



# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

The Portfolios do not isolate the portion of the operating results due to changes in foreign exchange rates on investments from the fluctuations arising from changes in the market value of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign currency gains and losses arise from the fluctuation of exchange rates between trade date and settlement date on security transactions and from the difference between accrual date and payment date on accrued investment income. Net unrealized foreign exchange gains and losses are related to the fluctuation of exchange rates on the payables and receivables for securities and accrued investment income at June 30, 2000.

The Portfolios may enter into forward foreign currency contracts to protect securities and related receivables and payables against fluctuations in future foreign currency rates. A forward contract is an agreement to buy or sell currencies of different countries on a specified future date at a specified currency relative to the U.S. dollar. The market value of the contract will fluctuate with changes in the currency exchange rates. Contracts are valued daily and the changes in the market values are recorded by the Portfolios as unrealized appreciation or depreciation of foreign currency translations. At June 30, 2000, the Emerging Growth Portfolio, Balanced Portfolio and High Yield Bond Portfolio had the following open forward foreign currency contracts:

Contracts Sold	Settlement Date	Contracts to Deliver	Proceeds	U.S. Dollar Value at 06/30/00	Unrealized Appreciation (Depreciation)
<b>Emerging Growth Portfolio</b>					
Great British pounds	07/06/00	392,915	\$596,445	\$594,875	\$ <u>1,570</u>
<b>Balanced Portfolio</b>					
Great British pounds	07/05/00	62,722	94,831	94,962	\$ (131)
Great British pounds	07/06/00	67,636	102,683	102,401	<u>282</u>
					\$ <u>151</u>
<b>High Yield Bond Portfolio</b>					
Euro dollars	09/13/00	25,000	23,960	24,076	\$ <u>(116)</u>

**Futures Contracts:** The Portfolios (excluding World Growth Stock and Money Market Portfolios) may enter into futures contracts in order to manage exposure to changes in market conditions which may be more efficient or cost effective than trading the underlying securities. A futures contract is an agreement to buy or sell a security at a set price on a future date and is exchange traded. Upon entering into a futures contract, each Portfolio is required to deposit either cash or securities of up to 5% of the contract value as collateral ("initial margin"). Subsequent payments ("variation margin") are made or received, daily, by the Portfolios. The variation margin is equal to the daily change in the contract value and is recorded to the

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

Portfolios as an unrealized gain or loss. The risks of entering into futures contracts include the possibility that the change in the value of the contract may not correlate with changes in the underlying securities and that the market for the futures contract may be illiquid.

As of June 30, 2000, the Portfolios held the following futures contracts:

Contracts Purchased	Expiration Date	Number of Contracts	Market Value 06/30/00	Unrealized Depreciation
<b>S&amp;P 500 Index Portfolio</b>				
S&P 500 Stock Index Contracts	9/15/00	18	\$6,239,425	\$(103,000)

**Federal Income Taxes:** Each Portfolio intends to qualify as a regulated investment company by complying with the requirements of the Internal Revenue Code applicable to regulated investment companies, and by distributing all of its ordinary income and net realized capital gains. Therefore, no Federal tax provision is required.

Foreign taxes withheld represents amounts withheld by foreign tax authorities, net of refunds recoverable.

## NOTE C—INVESTMENTS

Net realized gains and losses on investment securities sold are determined by using the first-in, first-out method.

At June 30, 2000, gross unrealized gains and losses were as follows:

Portfolio	Gains	Losses	Gain (Loss)
International Equity Portfolio	\$ 5,286,003	\$ 1,972,845	\$ 3,313,158
World Growth Stock Portfolio	31,907,246	10,843,696	21,063,550
Global Hard Assets Portfolio	706,790	612,622	94,168
Emerging Growth Portfolio	60,190,036	6,221,541	53,968,495
Capital Growth Portfolio	178,095,829	7,399,913	170,695,916
Small Company Portfolio	19,457,078	18,915,421	541,657
Growth Portfolio	13,644,664	716,727	12,927,937
S&P 500 Index Portfolio	9,610,200	9,311,776	298,424
Value Portfolio	6,778,624	7,014,574	(235,950)
Balanced Portfolio	6,580,533	1,250,360	5,330,173
High Yield Bond Portfolio	206,021	1,099,766	(893,745)
Money Market Portfolio	1,282	0	1,282

At June 30, 2000, the International Equity and World Growth Stock Portfolios had unrealized foreign currency gains of \$6,644, and \$23,164, respectively. The Global Hard Assets, Emerging Growth, Balanced, and High Yield Bond Portfolios had unrealized foreign currency losses of \$21, \$1,711, \$19, and \$101, respectively.

At December 31, 1999, the following Portfolios had accumulated realized capital losses, for Federal income tax purposes, which are available to be used to offset future

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

realized capital gains: the Global Hard Assets Portfolio had \$3,748,893 of which \$168,664 expires in 2007, \$3,350,893 expires in 2006, and \$229,336 expires in 2005; Small Company Portfolio had \$3,929,985 which expires in 2007, High Yield Bond Portfolio had \$389,261 of which \$261,114 expires in 2007 and \$128,147 expires in 2006; Money Market Portfolio had \$1,197 of which \$339 expires in 2007, \$400 expires in 2002, \$391 expires in 2004, and \$67 expires in 2005.

In addition, during the period from November 1, 1999 through December 31, 1999, the International Equity and Emerging Growth Portfolios incurred foreign currency losses of \$26,119 and \$36,711, respectively. The Global Hard Assets and High Yield Bond Portfolios incurred capital losses of \$8,393 and \$29,028, respectively. These losses are treated for Federal income tax purposes as if they occurred on January 1, 2000. Accordingly, during 1999 these Portfolios may have made distributions, as required by Internal Revenue Code Regulations, in excess of amounts recognized for financial reporting purposes.

Purchases and sales of investment securities for the period ended June 30, 2000, other than short-term obligations, were as follows:

Portfolio	Cost of Investment Securities Purchased	Proceeds from Investment Securities Sold
International Equity Portfolio	\$ 27,715,189	\$ 19,207,573
World Growth Stock Portfolio	45,566,936	45,115,609
Global Hard Assets Portfolio	3,020,760	2,691,557
Emerging Growth Portfolio	204,111,513	189,477,634
Capital Growth Portfolio	45,821,380	29,541,190
Small Company Portfolio	31,210,356	28,154,836
Growth Portfolio	119,468,970	98,941,018
S&P 500 Index Portfolio	176,141,469	3,058,892
Value Portfolio	28,354,149	26,134,763
Balanced Portfolio	21,263,191	19,949,759
High Yield Bond Portfolio	3,333,279	2,114,046

## NOTE D—INVESTMENT ADVISORY FEES AND OTHER AFFILIATED TRANSACTIONS

The Company has entered into an investment management agreement with Jefferson Pilot Investment Advisory Corporation, "JPIA", a wholly-owned subsidiary of Jefferson-Pilot Corporation. Under the agreement, JPIA provides investment management and certain administrative services for the Company. JPIA has, in turn, retained Lombard Odier International Portfolio Management Limited to provide investment advisory services for the International Equity Portfolio; Templeton Global Advisors Limited to provide investment advisory services for the World Growth Stock Portfolio; Van Eck Associates Corporation to provide investment advisory services for the Global Hard Assets Portfolio; Lord, Abnett & Company to provide investment advisory services for the Small Company Portfolio; Strong Capital Management, Inc. to provide investment advisory services for the Growth Portfolio; Barclays Global

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

Fund Advisors to provide investment advisory services for the S&P 500 Index Portfolio; Credit Suisse Asset Management, LLC, to provide investment advisory services for the Value Portfolio; Janus Capital Corporation to provide investment advisory services for the Capital Growth and Balanced Portfolios; and Massachusetts Financial Services Company to provide investment advisory services for the Emerging Growth, High Yield Bond and Money Market Portfolios. For its investment management and administrative services, JPIA is paid an annual fee through a daily charge based on a percentage of the average daily net asset value of each Portfolio as shown below:

Portfolio	First \$200 Million	Next \$1.10 Billion	Over \$1.30 Billion
International Equity Portfolio	1.00%	1.00%	1.00%
World Growth Stock Portfolio	.75%	.70%	.65%
Global Hard Assets Portfolio	.75%	.70%	.65%
Emerging Growth Portfolio	.80%	.75%	.70%
Capital Growth Portfolio	1.00%	.95%	.90%
Small Company Portfolio	.75%	.70%	.65%
Growth Portfolio	.75%	.75%	.75%
S&P 500 Index Portfolio	.24%	.24%	.24%
Value Portfolio	.75%	.70%	.65%
Balanced Portfolio	.75%	.70%	.65%
High Yield Bond Portfolio	.75%	.75%	.75%
Money Market Portfolio	.50%	.45%	.40%

In addition, JPIA has entered into an expense reimbursement plan with the S&P 500 Index Portfolio. Under the Plan, JPIA has agreed to maintain an expense cap which limits the amount of expenses that can be borne by the Portfolio. Accordingly, JPIA will reimburse the Portfolio to the extent that the Portfolio's operating expenses (excluding interest, taxes, brokerage commissions or extraordinary expenses) exceed 0.28% of the Portfolio's average daily net assets.

## NOTE E—SHAREHOLDERS' TRANSACTIONS

Following is a summary of transactions with shareholders for each Portfolio.

### International Equity Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	Shares	Dollars	Shares	Dollars
Shares issued	769,688	\$ 11,578,276	1,292,588	\$ 17,117,146
Shares issued as reinvestment of dividends	190,037	2,889,915	4,687	56,828
Shares redeemed	(176,066)	(2,647,939)	(446,527)	(6,141,255)
Net increase	<u>783,659</u>	<u>\$ 11,820,252</u>	<u>850,748</u>	<u>\$ 11,032,719</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

## World Growth Stock Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	172,683	\$ 4,480,065	276,903	\$ 6,365,605
Shares issued as reinvestment of dividends	143,807	3,790,602	428,951	9,394,729
Shares redeemed	(195,667)	(5,053,873)	(667,802)	(15,400,467)
Net increase	<u>120,823</u>	<u>\$ 3,216,794</u>	<u>38,052</u>	<u>\$ 359,867</u>

## Global Hard Assets Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	315,500	\$ 2,786,149	558,304	\$ 4,852,391
Shares issued as reinvestment of dividends	7,851	69,014	9,544	72,099
Shares redeemed	(284,277)	(2,530,658)	(526,997)	(4,457,961)
Net increase	<u>39,074</u>	<u>\$ 324,505</u>	<u>40,851</u>	<u>\$ 466,529</u>

## Emerging Growth Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	642,556	\$ 25,502,160	842,144	\$ 22,789,922
Shares issued as reinvestment of dividends	456,374	18,808,455	20,335	468,598
Shares redeemed	(152,303)	(5,861,399)	(361,203)	(9,106,230)
Net increase	<u>946,627</u>	<u>\$ 38,449,216</u>	<u>501,276</u>	<u>\$ 14,152,290</u>

## Capital Growth Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	705,645	\$ 28,329,421	1,812,698	\$ 55,642,674
Shares issued as reinvestment of dividends	417,542	17,514,623	583,668	16,688,505
Shares redeemed	(171,274)	(6,820,469)	(176,653)	(5,433,744)
Net increase	<u>951,913</u>	<u>\$ 39,023,575</u>	<u>2,219,713</u>	<u>\$ 66,897,435</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

## Small Company Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	292,111	\$ 4,856,656	329,975	\$ 4,975,909
Shares issued as reinvestment of dividends			617,583	9,761,271
Shares redeemed	(163,026)	(2,867,481)	(619,778)	(9,407,422)
Net increase	<u>129,085</u>	<u>\$ 1,989,175</u>	<u>327,780</u>	<u>\$ 5,329,758</u>

## Growth Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	1,197,366	\$ 30,666,424	1,082,322	\$ 17,287,033
Shares issued as reinvestment of dividends	172,315	4,572,295	11,575	165,744
Shares redeemed	(187,746)	(4,523,206)	(77,732)	(1,124,994)
Net increase	<u>1,181,935</u>	<u>\$ 30,715,513</u>	<u>1,016,165</u>	<u>\$ 16,327,783</u>

## S & P 500 Index Portfolio

	For the Period from May 1, 2000 through June 30, 2000	
	<u>Shares</u>	<u>Dollars</u>
Shares issued	18,256,042	\$182,515,802
Shares issued as reinvestment of dividends		
Shares redeemed	(281,969)	(2,772,486)
Net increase	<u>17,974,073</u>	<u>\$179,743,316</u>

## Value Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	481,588	\$ 8,739,794	677,470	\$ 13,575,173
Shares issued as reinvestment of dividends	498,718	8,726,087	54,012	1,025,140
Shares redeemed	(316,931)	(5,699,211)	(338,369)	(6,772,616)
Net increase	<u>663,375</u>	<u>\$ 11,766,670</u>	<u>393,113</u>	<u>\$ 7,827,697</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2000 (UNAUDITED)

## Balanced Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	399,730	\$ 5,912,215	730,355	\$ 9,652,134
Shares issued as reinvestment of dividends	273,188	4,076,035	299,519	3,800,882
Shares redeemed	(90,803)	(1,368,826)	(300,362)	(3,964,482)
Net increase	<u>582,115</u>	<u>\$ 8,619,424</u>	<u>729,512</u>	<u>\$ 9,488,534</u>

## High Yield Bond Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	230,503	\$ 2,114,468	650,374	\$ 6,381,383
Shares issued as reinvestment of dividends	83,973	771,551	53,246	505,196
Shares redeemed	(158,158)	(1,448,873)	(520,250)	(5,118,177)
Net increase	<u>156,318</u>	<u>\$ 1,437,146</u>	<u>183,370</u>	<u>\$ 1,768,402</u>

## Money Market Portfolio

	For the Six Months Ended June 30, 2000		Year Ended December 31, 1999	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Shares issued	2,604,111	\$ 27,937,242	4,619,214	\$ 48,821,940
Shares issued as reinvestment of dividends	139,702	1,459,257	79,554	825,203
Shares redeemed	(3,224,290)	(34,701,608)	(3,698,386)	(39,144,669)
Net increase (decrease)	<u>(480,477)</u>	<u>\$ (5,305,109)</u>	<u>1,000,382</u>	<u>\$ 10,502,474</u>



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